

New Issue
Book-Entry Only

Moody's Rating: Aaa
Standard & Poor's Rating: AAA
(See "Municipal Bond Insurance" and "Ratings" herein)

In the opinion of Preston Gates & Ellis LLP, Bond Counsel, under existing law and assuming compliance by the City with certain tax covenants described herein, interest on the Series 1998 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Series 1998 Bonds is exempt from present personal income tax imposed by the State of Oregon. The City has designated the Series 1998 Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). See "Tax Exemption" herein.

\$4,400,000
City of West Linn
Clackamas County, Oregon
General Obligation Bonds, Series 1998

DATED: December 1, 1998

DUE: June 1, as shown below

Individual purchases and sales of the Series 1998 Bonds may be made in book-entry only form in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. The Series 1998 Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of CEDE & Co. as Bond Owner and as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 1998 Bonds. Interest on the Series 1998 Bonds will be payable on December 1, 1999 and semiannually thereafter on June 1 and December 1 of each year. The principal of and interest on the Series 1998 Bonds will be payable by the City's Paying Agent, currently U.S. Bank Trust National Association, to DTC which, in turn, will remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 1998 Bonds. Interest on the Series 1998 Bonds shall be credited to the Owners by the DTC Participants.

The City has designated the Series 1998 Bonds as "Qualified Tax-Exempt Obligations" for banks, thrift institutions and other financial institutions. See the caption "Tax Exemption" herein for a discussion of this designation.

Maturity Schedule

<u>Due June 1</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Yields or Prices</u>	<u>Due June 1</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Yields or Prices</u>
2000	\$ 85,000	4.00%	3.40%	2010	\$240,000	4.20%	4.25%
2001	165,000	4.00	3.60	2011	250,000	4.30	4.30
2002	175,000	4.00	3.70	2012	260,000	4.30	4.35
2003	180,000	4.00	3.75	2013	270,000	4.35	4.40
2004	185,000	4.00	3.80	2014	280,000	4.45	4.50
2005	195,000	4.00	3.90	2015	295,000	4.55	4.60
2006	200,000	4.00	3.95	2016	305,000	4.60	4.65
2007	210,000	4.05	4.05	2017	320,000	4.65	4.70
2008	220,000	4.10	4.10	2018	335,000	4.70	4.75
2009	230,000	4.20	4.20				

(Plus accrued interest from December 1, 1998)

The Series 1998 Bonds are subject to redemption prior to their stated maturities as further described herein.

The Series 1998 Bonds constitute valid and legally binding general obligations of the City. The full faith and credit of the City is pledged for the punctual payment of the principal of and interest on the Series 1998 Bonds. The City has pledged and is obligated by law to provide for the levy and collection annually of ad valorem taxes without limitation as to rate or amount on all taxable property in the City to pay the principal of and interest on the Series 1998 Bonds. The Series 1998 Bonds do not constitute a debt or indebtedness of Clackamas County, the State of Oregon, or any political subdivision thereof other than the City.

Payment of the principal of and interest on the Series 1998 Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Series 1998 Bonds.



The Series 1998 Bonds are offered for sale to the original purchaser subject to the final approving legal opinion of Preston Gates & Ellis LLP, Portland, Oregon ("Bond Counsel"). It is expected that the Series 1998 Bonds will be available for delivery at the facilities of The Depository Trust Company in New York, New York on or about December 30, 1998.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: December 15, 1998



SEATTLE-NORTHWEST
SECURITIES CORPORATION

City of West Linn, Oregon
22825 Willamette Drive
mailing address: PO Box 29
West Linn, Oregon 97068
(503) 657-0331

City Council

Jill Thorn	Mayor
Dee Burch	President
John Jackley*	Councilor
Michael Kapigian*	Councilor
Tom Neff	Councilor

* As of January 1, 1999, Councilors Jackley and Kapigian will be replaced by John Steele and Mike McFarland.

Administration

Scott Burgess	City Manager
William Gin	Finance Director

Bond Counsel

Preston Gates & Ellis LLP
Portland, Oregon
(503) 228-3200

Paying Agent

U.S. Bank Trust National Association
555 S.W. Oak Street PL-6
Portland, Oregon 97204
(503) 220-0008

This Official Statement does not constitute an offer to sell the Series 1998 Bonds in any jurisdiction in which or to a person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series 1998 Bonds and, if given or made, such information or representations must not be relied upon. The information set forth herein has been obtained from sources which are believed to be current and reliable, but it is not guaranteed as to accuracy or completeness by, and it is not to be construed as a representation by, the Underwriter. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of the provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the City since the date hereof.

In connection with this offering, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.



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OFFICIAL STATEMENT

\$4,400,000

City of West Linn

Clackamas County, Oregon

General Obligation Bonds, Series 1998

The City of West Linn, Clackamas County, Oregon (the "City"), a political subdivision duly organized and existing under and by virtue of the laws of the State of Oregon (the "State"), furnishes this Official Statement in connection with the offering of \$4,400,000 principal amount of General Obligation Bonds, Series 1998 (the "Series 1998 Bonds"). This Official Statement, which includes the cover page and appendices, provides information concerning the City and the Series 1998 Bonds.

Description of the Bonds

Principal Amount, Date, Interest Rates and Maturities

The Series 1998 Bonds will be issued in the principal amount of \$4,400,000 and will be dated and bear interest from December 1, 1998. The Series 1998 Bonds will mature on the dates and in the principal amounts and will bear interest (payable semiannually on June 1 and December 1, commencing December 1, 1999) at the respective rates as set forth on the cover of this Official Statement.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Optional Redemption

The Series 1998 Bonds maturing in years 2000 through 2009, inclusive, are not subject to redemption prior to maturity. The Series 1998 Bonds maturing on and after June 1, 2010 are subject to redemption at the option of the City, in whole or in part on any date, on and after June 1, 2009 at a price of par plus accrued interest, if any, to the date of redemption.

Notice of Redemption of Bonds

Notice of Redemption (DTC). So long as the Series 1998 Bonds are in book-entry only form, the Paying Agent shall notify DTC of an early redemption not less than 30 days prior to the date fixed for redemption, and shall provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the Series 1998 Bonds, as well as published notice as required by law.

Notice of Redemption (No DTC). During any period in which the Series 1998 Bonds are not in book-entry only form, unless waived by any Owner of the Series 1998 Bonds to be redeemed, official notice of any redemption of Series 1998 Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to the Owners of the Series 1998 Bonds to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such Owner to the Paying Agent, and published as required by law.

Paying Agent and Registration Features

The Series 1998 Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of CEDE & Co. as Bond Owner and as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 1998 Bonds. Individual purchases and sales of the Series 1998 Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers ("Beneficial Owners") will not receive certificates representing their interest in the Series 1998 Bonds. The principal of and interest on the Series 1998 Bonds will be payable by the City's "Paying Agent", currently U.S. Bank Trust National Association, Portland, Oregon, to

DTC which, in turn, will remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 1998 Bonds. Interest on the Series 1998 Bonds shall be credited to the Beneficial Owners by the DTC Participants.

Book-Entry Bonds

DTC will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity of the Bonds, as set forth on the cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See “Book-Entry Only System” herein for additional information.

Procedure in the Event of Revisions of Book-Entry Transfer System

If the City is unable to retain a qualified successor to DTC, or the City has determined that it is in the best interest of the City not to continue the book-entry system of transfer or that interests of the Beneficial Owners of the Bonds might be adversely affected if the book-entry system of transfer is continued, the City will execute, authenticate and deliver at no cost to the Beneficial Owners of the Bonds or their nominees, Bonds in fully registered form, in the denomination of \$5,000 or any integral multiple thereof within a maturity. Thereafter, the principal of the Bonds will be payable upon due presentment and surrender thereof at the principal office of the Bond Registrar; interest on the Bonds will be payable by check or draft mailed or by wire transfer (wire transfer will be made only if so requested in writing and if the registered owner owns at least \$1,000,000 par value of the Bonds), to the persons in whose names such Bonds are registered, at the address appearing upon the registration books on the 15th day of the month preceding an interest payment date, and the Bonds will be transferable as provided in the Bond Resolution.

Purpose and Use of Proceeds

Purpose

The proceeds from the Series 1998 Bonds and a second series of bonds (collectively, the “Bonds”) which the City intends to issue in early 1999 (see “Authorization” and “Future Financing” herein) will be used to acquire and develop property for parks and recreational purposes and to pay the costs of issuance of the Bonds. Specifically, the City plans to use proceeds from the Bonds to: (1) acquire approximately 70 acres of property in various areas of the City for parks and recreational purposes, including at least five acres for an aquatics/community center site; (2) conduct an aquatics/community center feasibility study; (3) develop parks, trails and athletic fields; and (4) contribute \$200,000 to the cost of constructing a senior center, in combination with \$435,000 available through grants and donations.

Park System Development Charges will be used to provide funds for improving the new park sites acquired with the Bond proceeds.

Estimated Sources and Uses of Funds

The proceeds from the Series 1998 Bonds (less accrued interest) are estimated to be applied as follows:

<u>Source of Funds</u>	
Principal Amount	\$ 4,400,000
Less: Original Issue Discount	<u>(3,815)</u>
Total Available Proceeds	<u>\$ 4,396,185</u>
 <u>Use of Funds</u>	
Project Requirements	\$ 4,326,040
Issuance Costs, Underwriter’s Discount and Contingency	<u>70,145</u>
Total Use of Funds	<u>\$ 4,396,185</u>

Security for the Bonds

The Series 1998 Bonds are general obligations of the City and the full faith and credit of the City is pledged for the punctual payment of the principal of and interest on the Series 1998 Bonds. The Series 1998 Bonds are secured by general ad valorem taxes to be levied against all taxable property within the City without limitation as to rate or amount. More specifically, for the purpose of paying principal of and interest on the Series 1998 Bonds as the same shall become due, the City will levy on all taxable property located within the City, in addition to all other taxes, direct annual taxes which, together with other available funds, shall be sufficient in amount to provide for the timely payment of principal of and interest on the Series 1998 Bonds. The taxes, when collected, are required to be applied solely for the purpose of payment of principal of and interest on the Series 1998 Bonds and for no other purpose until the Series 1998 Bonds shall have been fully paid, satisfied and discharged.

The City's Resolution authorizing the issuance of the Series 1998 Bonds states that taxes levied to pay the Series 1998 Bonds will be levied outside the limitations imposed by Article XI, Sections 11 and 11b of the Oregon Constitution. Further, the City published notice for classifying such levy outside the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution on December 3, 1998 and the period of time for contesting such classification expires on January 23, 1999. (See "Property Tax Administration" herein.)

Payment of the principal of and interest on the Series 1998 Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Series 1998 Bonds.

The Series 1998 Bonds do not constitute a debt or indebtedness of Clackamas County, the State, or any political subdivision thereof other than the City.

Authorization for Issuance

Voters within the City approved issuance of \$8 million of general obligation bonds for park and recreation purposes (see "Purpose" herein) at the November 3, 1998 general election. The voter-approved bonds will be issued in two series: this \$4,400,000 issue of Series 1998 Bonds, and the remaining \$3,600,000 of bonds which will be issued within the next two years.

Under, and in accordance with the laws and provisions of the State of Oregon, the Series 1998 Bonds are issued pursuant to a resolution of the City Council of the City adopted November 23, 1998. On November 3, 1998, the City voters approved the ballot measure for the issuance of the Bonds as follows:

<u>Voter Tally</u>		
	<u>Number</u>	<u>Percent</u>
Yes	3,966	51.4%
No	3,750	48.6%

Article XI, Section 11 of the Oregon Constitution, requires that for "new or additional ad valorem property taxes" approval must be by not less than 50 percent of *voters voting* in a general election in an even-numbered year.

City Indebtedness

ORS Chapter 287 limits the amount of general obligation bonds which an Oregon city may have outstanding at any time to three percent of the Real Market Value of the taxable property within the city. A lower limit may be applied by the city's charter. This statutory limitation does not apply to general obligation bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, infirmaries, gas power, or lighting purposes, or the acquisition, establishment, or reconstruction of any off-street motor vehicle parking facility nor to bonds issued pursuant to application to pay assessments for improvements in installments under statutory or charter authority ("Bancroft Bonds") which are completely self-supporting.

The City may issue tax anticipation notes in an amount which, in the aggregate, equal up to 80 percent of *ad valorem* taxes upon real and personal property which have been levied and are in the process of collection for the fiscal year in which the notes are issued, and 80 percent of other budgeted and unpledged revenues which it is estimated will be received from other sources during the tax year.

Debt Capacity

The following table shows the debt capacity of the City.

Real Market Value (1998-99)	<u>\$1,799,640,840</u>
General Obligation Debt Capacity (3% of Real Market Value)	\$ 50,312,314
Less: Outstanding Debt subject to limit (includes this issue)	<u>(5,255,000)</u>
Remaining Legal Debt Capacity	<u>\$ 45,057,314</u>

Source: Clackamas County Assessor's Office

Debt Payment Record

The City has promptly met principal and interest payments on outstanding bonds and other indebtedness in the past ten years when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default.

Projected Debt Service Requirements (As of December 1, 1998)

Fiscal Year*	Outstanding General Obligation Bonds		The Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
1999	\$ 180,000	\$ 18,960	\$ 0	\$ 0	\$ 198,960
2000	185,000	30,360	85,000	283,316	583,676
2001	195,000	22,220	165,000	185,478	567,698
2002	210,000	13,445	175,000	178,878	577,323
2003	85,000	3,995	180,000	171,878	440,873
2004	0	0	185,000	164,678	349,678
2005	0	0	195,000	157,278	352,278
2006	0	0	200,000	149,478	349,478
2007	0	0	210,000	141,478	351,478
2008	0	0	220,000	132,973	352,973
2009	0	0	230,000	123,953	353,953
2010	0	0	240,000	114,293	354,293
2011	0	0	250,000	104,213	354,213
2012	0	0	260,000	93,463	353,463
2013	0	0	270,000	82,283	352,283
2014	0	0	280,000	70,538	350,538
2015	0	0	295,000	58,078	353,078
2016	0	0	305,000	44,655	349,655
2017	0	0	320,000	30,625	350,625
2018	0	0	335,000	15,745	350,745
	<u>\$ 855,000</u>	<u>\$ 88,980</u>	<u>\$ 4,400,000</u>	<u>\$ 2,303,274</u>	<u>\$ 7,647,254</u>

* Fiscal years ending June 30.

Summary of Overlapping Debt
(As of June 30, 1998)

<u>Overlapping District</u>	1997-98 Assessed <u>Valuation</u>	Percent <u>Overlap</u>	<u>Overlapping</u>	
			<u>Gross Bonded Debt(1)</u>	<u>Net Direct Debt(2)</u>
Tri-City Service District	\$3,255,550,840	51.5144%	\$ 5,215,833	\$ 5,215,833
West Linn-Wilsonville School Dist. 3J	4,684,101,908	35.3251	36,282,410	36,282,410
Clackamas Community College	18,323,726,980	9.0302	743,185	743,185
Clackamas County	25,038,160,650	6.6981	47,557	43,873
Metro	86,745,138,968	1.9333	4,079,302	4,079,302
Tri-Metropolitan Transport District	87,197,241,463	1.9233	2,519,138	2,519,138
Port of Portland	96,221,705,033	1.7429	401,285	401,285
Lake Oswego School District 7J	4,275,089,596	0.5242	95,457	95,457
Portland Community College	66,300,555,218	0.0338	17,329	17,329
Total			<u>\$ 49,401,496</u>	<u>\$ 49,397,812</u>

(1) Gross Bonded Debt includes all bonds backed by a general obligation pledge including self-supporting general obligation bonds and limited tax debt.

(2) Net Direct Debt includes all unlimited tax-supported bonds. Self-supporting bonds are excluded.

Source: Debt Management Division, Oregon State Treasury

Outstanding General Obligation Debt
(As of December 1, 1998)

Long Term Borrowing

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding*</u>
1993 Refunding	04/01/93	01/01/03	\$ 1,415,000	\$ 855,000
1998 GO (this issue)	12/01/98	06/01/18	4,400,000	4,400,000
Bond Total			<u>\$ 5,815,000</u>	<u>\$ 5,255,000</u>

* Borrowings do not include short-term internal fund borrowings.

Source: City of West Linn

Financial Information

Real Market Valuation (1998-99) (1)	\$1,799,640,840
Assessed Valuation (1998-99) (1)	\$1,403,783,260
Estimated 1998-99 Population	21,405

Debt Information (2)

Net Direct Debt (Includes this issue)	\$ 5,255,000
Net Overlapping Debt	<u>49,397,812</u>
Total Net Direct and Net Overlapping Debt	<u>\$ 54,652,812</u>

Bonded Debt Ratios

Net Direct Debt to Real Market Valuation	0.29%
Net Direct and Net Overlapping Debt to Real Market Valuation	3.04%
Per Capita Real Market Valuation	\$ 84,076
Per Capita Net Direct Debt	\$ 246
Per Capita Total Net Direct and Net Overlapping Debt	\$ 2,553

- (1) The definition of Real Market Value and Assessed Value was changed by the 1997 Legislative Assembly. See "Measure 50" herein.
- (2) Net Direct and Net Overlapping Debt includes all tax-supported bonds. Self-supporting bonds are excluded.

Future Debt Plans

Voters within the City approved issuance of \$8 million of general obligation bonds for park and recreation purposes (see "Purpose" herein) at the November 3, 1998 general election. The voter-approved bonds will be issued in two series: this \$4,400,000 issue of Series 1998 Bonds, and the remaining \$3,600,000 of bonds which will be issued within the next two years.

Property Tax

The property tax is used by Oregon cities, counties, schools and other special districts to raise revenue to cover a portion of the expense of local government. The State of Oregon has the authority to levy property taxes, however the State has not levied property taxes since 1941 and obtains its revenue principally from income tax and lottery sources.

The Oregon Constitution places certain limits on property tax rates for general purposes. The Constitution does not limit property tax rates for general obligation bonds, such as the Series 1998 Bonds, for capital construction and improvements approved in accordance with voting requirements or used to refund certain outstanding general obligation bonds (see "Exempt Bonded Indebtedness" herein).

Measure 5

Article XI, Section 11b (commonly known as "Measure 5") of the Oregon Constitution contains various limitations on property taxes levied by local jurisdictions. Approved by the voters state-wide in November 1990, Measure 5 placed certain limits on property tax rates and made modifications to the system of property tax administration then in place. The limitations resulting from Measure 5 will remain in place despite the passage of Measure 50, (See "Measure 50" herein) which was designed as an addition to, rather than a replacement for, Measure 5.

The Constitution calls for taxes imposed upon property to be separated into two categories; one to fund the public school system and community colleges and one to fund government operations other than the public school system. Combined property tax rates for non-school government operations are limited to \$10.00 per \$1,000 of Real Market Value per county-assigned tax code area. Similarly, combined property tax rates for the public school system are limited to \$5 per \$1,000 RMV for each tax code area. **The City did not have any loss in fiscal year 1998-99 due to Measure 5 compression.**

Measure 5 does not limit property tax rates for general obligation bonds approved by a majority of the voters in accordance with certain requirements (see "Exempt Bonded Indebtedness" herein) or used to refund certain outstanding general obligation bonds. The Series 1998 Bonds qualify as exempt bonded indebtedness. The collection of property taxes for payment of debt service on the Refunding Bonds are not subject to the limits of Measure 5 or Measure 50.

The following tables present the 1998-99 tax rates for the City and other taxing jurisdictions within Clackamas County that overlap the City. The levy rates are calculated by dividing the tax levy by the assessed value (see "Measure 50" herein).

1998-99 Representative Levy Rate*
(Rates Per \$1,000 of Measure 50 Assessed Value)

	<u>Permanent Rate</u>	<u>Bond Levy Rate</u>	<u>Consolidated Rate</u>
<u>General Government</u>			
Vector Control	\$ 0.0065	\$ 0.0000	\$ 0.0065
Port of Portland	0.0700	0.0080	0.0780
City of West Linn	2.1200	0.1882	2.3082
City of West Linn Local Option Levy	1.5116	0.0000	1.5116
Clackamas County	2.4042	0.0000	2.4042
Metro Service District No. 2	0.0966	0.2676	0.3642
County Urban Renewal	0.1825	0.0000	0.1825
Tri-City Service District	0.0000	1.0016	1.0016
Tri-Met	<u>0.0000</u>	<u>0.1526</u>	<u>0.1526</u>
Total General Government	<u>6.3914</u>	<u>1.6180</u>	<u>8.0094</u>
<u>Education</u>			
Clackamas ESD	0.3687	0.0000	0.3687
Clackamas Community College	0.5582	0.0656	0.6238
West Linn-Wilsonville School District	<u>4.8684</u>	<u>3.3611</u>	<u>8.2295</u>
Total Education	<u>5.7953</u>	<u>3.4267</u>	<u>9.2220</u>
Total Tax Rate	<u>\$ 12.1867</u>	<u>\$ 5.0447</u>	<u>\$ 17.2314</u>

* Clackamas County Tax Code 003-002 for the City of West Linn with a 1998-99 assessed valuation of \$1,384,618,270.

Source: Clackamas County Department of Assessment & Taxation

Measure 50

Ballot Measure 50 ("Measure 50") was approved by Oregon voters at the state-wide special election ballot on May 20, 1997. Measure 50 repealed a previously approved property tax reduction measure known as Measure 47 ("Measure 47") and replaced it with new ad valorem property tax limitations. Measure 50 retained, with certain modifications, many of Measure 47's key features, including a reduction of property taxes and a limit on the growth in annual assessed valuation. Senate Bill 1215, which provided implementing language for Measure 50, was signed by the Governor on July 14, 1997. Specific provisions include:

“Rollback” Provisions. Measure 50 reduced property taxes imposed statewide by approximately 17 percent from fiscal year 1997–98 levels unless certain exemptions applied. (See “Exemptions” below.) Measure 50 also rolled back the “real market value” of each unit of property for the tax year 1997–98 to its 1995–96 value, less ten percent. This new value is deemed the jurisdiction’s “assessed value”. After the resulting tax levy and assessed value were determined, a “permanent tax rate,” representing the product of dividing the tax levy by the assessed value, was calculated. The new tax rates are set as the permanent constitutional rate limit for each jurisdiction and will be used to calculate future revenues. As a result of the establishment of permanent tax rates, the pre-existing levy based tax system has effectively been replaced by a rate based tax system.

Limitation on Growth Provisions. Measure 50 limits increases in the assessed valuation of each property to three percent per year for tax years after 1997–98, with special exemptions for property that is improved, rezoned, subdivided, or ceases to qualify for exemption. In combination with the fixed permanent rate, the limitation on the growth in assessed value will limit the growth of taxes on individual properties to an average of three percent per year (excluding exempt levies—see below).

Bonded Indebtedness. Any portion of a local taxing district levy will not be subject to the reduction provisions of Measure 50 if that portion of the levy is used to pay:

- (1) Principal and interest for bonds issued, or any other formal, written borrowing of moneys, executed before December 5, 1996, and secured by ad valorem property taxes (including refundings thereof).
- (2) Local government pension and disability plan obligations that commit ad valorem property taxes and ad valorem property taxes imposed to fulfill those obligations.
- (3) Principal and interest on bonded indebtedness secured by urban renewal taxes issued under urban renewal plans in existence on or before December 5, 1996.
- (4) However, these levies will be subject to the limitations imposed under Measure 5 (see “Measure 5” herein), unless the bonds or debt were Exempt Bonded Indebtedness (see below).

Exemptions.

- (1) *Exempt Bonded Indebtedness.* Bonds issued as general obligation bonds (or bonds to refund them) prior to the passage of Measure 5, in accordance with its provisions (see “Measure 5” herein), or in accordance with the capital construction and improvement definitions added under Measure 50 (see “Capital Construction and Improvements Definition” below) are exempt from both the permanent rate of Measure 50 and exempt from the limitations of Measure 5. Under Measures 5 and 50, taxes imposed to pay principal and interest on bonded indebtedness are not subject to constitutional limits, provided such bonds are (1) authorized by a specific provision of the Oregon Constitution, or (2) incurred for capital construction or improvements (see “Capital Construction and Improvements” herein) and approved by the voters in accordance with applicable voting requirements. The Series 1998 Bonds were incurred for capital construction or improvements approved by voters in accordance with applicable voting requirements.

Debt service on the Bonds will not be subject to the provisions of either Measure 50 or Measure 5.

- (2) *Certain Levies.* Operating and serial levies that were first imposed for the 1996–97 or 1997–98 tax years and received a majority of the votes from voters voting either (i) at a general election in an even numbered year, or (ii) at any other election in which not less than fifty percent of the registered voters eligible to vote on the question cast a ballot in an election held before March 15, 1997 are exempt from Measure 50’s initial “cut” and are added to the base. They are, however, subject to a “supplemental” average reduction of 1.4 percent. Other levies are included in the base for purposes of calculating the permanent rate but are subject to the 17 percent reduction. Still others are not subject to reduction, but are not included in calculating the permanent rate (see “Local Option Provisions” below).
- (3) A taxing district which supports a hospital facility through ad valorem property taxes shall be exempt from the reduction.

Local Option Provisions. Local governments (including community colleges) other than school districts and educational service districts are authorized to ask voters for limited term levies outside the limits of Measure 50, but subject to the limits of Measure 5, assuming the levy is approved by voters. The City has utilized this authority and currently has the following local option levies:

<u>Purpose</u>	<u>Description (Amount)</u>	<u>Expiration Date</u>
Police services	\$ 940,486/year	5-year levy; June 30, 2002
Fire protection/EMS services	\$ 1,181,607/year	5-year levy; June 30, 2002

Capital Construction and Improvements Definition. Measure 50 narrows the definition of capital construction and improvements for which general obligation bonds may be issued and may be exempt from the limitations imposed thereunder and under Measure 5. Capital construction and improvements for which exempt bonded indebtedness can be authorized cannot include reasonably anticipated maintenance and repair items, or supplies and equipment which are not intrinsically a part of the structure, but may include public safety vehicles. ORS 310.140 defines capital construction and improvements to include all activities related to the construction, modification, replacement, repair, remodeling and renovation of structures which have a useful life of over one year; the acquisition of land, or legal interest in land, in conjunction with the capital construction of a structure; the acquisition and installation of machinery, equipment, furnishings and equipment which have a life over one year; and activities related to capital construction such as planning, design, studies, permits, and acquisition of financing. SB 1215 further modified this statute to include public safety and law enforcement vehicles with a useful life of five years or more and to exclude maintenance and repairs which may be deducted as an expense under the provisions of the Internal Revenue Code of 1986 and which do not add materially to the value of the property nor appreciably prolong its life; and supplies and equipment which are not intrinsic to the structure means those necessary to permit a structure to perform the functions for which it was constructed, or which upon installation constitute fixtures or would be subject to ad valorem taxation as real property if not owned by a government.

Education Replacement Mandate. Measure 50 requires the Legislative Assembly to replace revenues lost by the public school system because of this property tax limitation measure. The Oregon Legislative Revenue Office has estimated that total property tax revenues collected by the public school system for operations under Measure 50 was \$882.33 million for the tax year 1997-98 and will be approximately \$928.41 million for the tax year 1998-99. Total State funding for the public school system during the biennium will reach \$4.2 billion with an addition of \$150 million provided by capital bonds approved by voters state-wide at the November 4, 1997 general election. These estimates are based on certain assumptions that may or may not hold true.

Fees and Charges Provisions. Measure 50 also contains a prohibition on the increase of fees (except for school districts), taxes, assessments or other charges in the first year without voter approval as alternative funding sources to offset property tax reductions caused by the implementation of the Measure.

Legal Uncertainties. The Oregon Legislature adopted legislation implementing Measure 50 during the 1997 Legislative session. It is possible that the Oregon courts will be required to interpret the language of the Measure and define how it is to be applied. Given these and other variables, the true impact of Measure 50 is not yet known.

Property Tax Administration

Property tax administration, governed by the Oregon Constitution, the State's taxation laws and regulations of the Department of Revenue includes the processes of assessment, levy and collection of taxes. Implementing legislation for the new constitutional provisions of Measure 50 will substantially change current administrative approaches.

Valuation of Property—Assessment

The process of identifying and assigning a value to taxable property is termed "assessment." Assessment of property is administered by the County Assessor except for public utility property and certain classes of industrial property which are assessed by the State Department of Revenue. Administrative and judicial remedies are available to property owners who disagree with assessments.

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture and equipment) for non-residential taxpayers. There is no property tax on household furnishings (exempt in 1913), personal belongings, automobiles (exempt in 1920), crops, orchards, business inventories or intangible property such as stocks, bonds or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation. Property used for charitable, religious, fraternal and governmental purposes has been exempt and reductions in assessments have been granted (upon application) for veterans' homesteads farm and forest land, open space and historic buildings. The assessment roll, a listing of all taxable property, will, under Measure 50, be prepared as of January 1 of each year, moved from July 1.

Certain properties, such as utilities, are valued on the unitary valuation approach (ORS 308.505-308.660). Under the unitary valuation approach, the taxpaying entity's operating system is defined and a value is assigned for the operating unit using the market value approach (cost, market value and income appraisals). Values are then allocated to the entities' operations in Oregon, then to each county the entity operates in, and finally to site locations.

Ballot Measure 50 resets "assessed value" for purposes of property tax levies beginning in fiscal year 1997-98. See "Measure 50" herein.

Tax Levy

The process of ascertaining and declaring the amount of taxes to be raised from taxpayers is termed "certifying the levy." Authority to levy property taxes is vested with the governing body of each local government unit. The governing body determines the levy annually before July 15 as part of the budget process. Annual budgets for local units are based on a fiscal year which begins on July 1 and ends the following June 30. Constitutional and statutory provisions limit the amount that a governing body may levy.

The Western Oregon Severance Tax

Before 1978, private owners of timber in western Oregon paid a yearly ad valorem property tax on the value of both their forest land and the timber on it. In 1978, the Oregon Legislature repealed the tax on timber and replaced it with the Western Oregon Severance Tax ("WOST"). Under the WOST system, owners of private timber pay an annual property tax on the land and a tax on the timber only when it is harvested. Under both systems, taxes are returned to local taxing districts. Taxes due under WOST are paid to the Oregon Department of Revenue (the "Department"), generally each quarter.

Before 1991 (Measure 5), severance taxes were directly used to reduce ("offset") property taxes. Although Measure 5 did not technically repeal the offset, its practical result was to make severance taxes revenue to most school districts while continuing the property tax reductions of most other districts. This treatment was formally incorporated into law by Measure 50 beginning in 1997-98. Measure 50 also rolled back and limited the growth of timber land values to three percent per year like other property.

The 19 western Oregon counties under WOST are Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Hood River, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill. A similar program covers the counties of eastern Oregon.

Strategic Investments Program

The Strategic Investments Program ("SIP") was authorized by the Legislature in 1993 to provide tax incentives for capital intensive investments by firms in Oregon's key industries, particularly in the high technology and metals industries. SIP recipients receive a tax break on the assessed value of new construction over \$100 million for 15 years. The \$100 million cap on assessed value increases by six percent per year. SIP recipients pay an annual Community Service Fee which is equal to one-fourth of the value of the tax break and which is allocated to local governments. Allocation is determined by negotiation of the local government. The Community Service Fee is not considered a property tax and thus is outside of the Constitutional property tax rate limitations.

Property Tax Collections

Oregon Revised Statutes Chapter 311 requires that all tax levy revenues collected by a county for all taxing units within the county be placed in an unsegregated pool, and each taxing unit shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing units within the county. As a result, the tax collection record of each taxing unit is a pro-rata share of the total tax collection record of all taxing units within the county combined.

Under the partial payment schedule, taxes are payable in three equal installments on the fifteenth of November, February and May of the same fiscal year. Discounts are allowed where partial or full prepayment of taxes is made, as follows: (a) A property owner who pays at least two-thirds of the taxes due, but less than the total, on or before November 15 will receive a two percent discount of such taxes paid on or before November 15; or (b) A property owner who pays the total taxes due, on or before November 15, will receive a three percent discount of total taxes due.

For late payments, interest accrues after each payment due date at the rate of sixteen percent per year. The method of giving notice of taxes due, the County Treasurer's account for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all covered by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, a county may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

A Senior Citizen Property Tax Deferral Program (1963) allows homeowners to defer taxes until death or sale of the home. New applicants must be at least 62 years old and have a household income under \$24,500. Participants may continue as long as their adjusted gross income does not exceed \$29,000. Taxes are paid by the State which obtains a lien on the property and accrues six percent simple interest per year.

Because of the implementation of Measure 50, property tax statements were delayed in the 1997-98 fiscal year and the November 15 payment to local jurisdictions was postponed until December 15, 1997.

The following tables represent relevant historic tax information for the City.

**Property Valuation
(Fiscal Year Ending June 30)**

<u>Fiscal Year</u>	<u>Total Real Market Value</u>	<u>Assessed Value</u>	<u>Percentage</u>
1999	\$1,799,640,840	\$1,403,783,260	78.0%
1998	1,677,077,140	1,310,447,470	78.1
1997	1,523,490,300	1,523,490,300	100.0
1996	1,357,912,910	1,357,912,910	100.0
1995	1,177,065,060	1,177,065,060	100.0
1994	1,063,205,220	1,063,205,220	100.0

Tax Collection Record

<u>Collection Year</u>	<u>Year of Levy</u>	<u>As of 06/30/98</u>
1998	93.89%	93.89%
1997	93.59	95.70
1996	93.65	96.19
1995	93.08	96.87
1994	92.91	97.08

Percentage of total Tax Levy. Pre-payment discounts are considered to be collected when outstanding taxes are calculated.

Source: Clackamas County Department of Assessment & Taxation

**Major Taxpayers
(As of 1998-99)**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Measure 50 Assessed Value</u>	<u>Percentage of Assessed Value</u>	<u>Tax</u>
Portland General Electric Co.	Utility	\$ 14,387,600	1.02%	\$ 247,858
West Linn Paper Prop Co.	Manufacturing	10,915,020	0.78	179,982
Deerpoint/ Linnwood Partners	Apartments	7,801,530	0.56	134,431
Northwest Natural Gas Co.	Utility	6,443,000	0.46	106,752
Simpson Housing Ltd. Partnership	Housing	4,916,410	0.35	84,717
Bean Terrence P 7.81%	NA	4,207,180	0.30	72,496
West E A Family LLC	Property Development	4,072,500	0.29	70,175
West Linn Paper Co.	Manufacturing	4,032,610	0.29	66,280
Dejardin Family LTD Partnership	Property Development	3,782,910	0.27	65,185
Hidden Springs LTD Partnership	Property Development	<u>3,277,550</u>	<u>0.23</u>	56,477
Subtotal – ten of the City’s largest taxpayers		63,836,310	4.55	
All other City taxpayers in Clackamas County		<u>1,339,946,950</u>	<u>95.45</u>	
Total City taxpayers		<u>\$1,403,783,260</u>	<u>100.00%</u>	

Source: *Clackamas County Department of Assessment & Taxation*

State of Oregon Funding

Under Measure 50 (see “Measure 50” herein), the legislature is required to “replace, from the State’s General Fund, revenue lost by the public school system because of the [measure’s property tax rate] limitations...” In compliance with this new provision of the Oregon Constitution, the 1997 Legislature appropriated necessary funds to Oregon’s school districts, education service districts and community colleges to replace Measure 50’s property tax reductions, and further, to provide funding for overall school district operations.

The State of Oregon’s Basic School Support Fund (“BSSF”) was approved by the voters in 1946 to improve and support standard public elementary and secondary schools and to equalize educational opportunities within the State.

In order to allocate state aid to school districts under Measure 5, the 1991 Oregon Legislature replaced the BSSF with the State School Fund (“SSF”). The SSF consists of both property tax loss replacement and state aid. In 1997, the Legislature appropriated to the SSF \$2,101.6 million for fiscal year 1998-99 school operating purposes. In addition, the Legislature appropriated \$50 million to school districts on a per-weighted-student basis for one-time classroom needs. This amount was distributed in 1997-98.

The 1991 Legislature also created a new formula to distribute the SSF to Oregon school districts that, for the first time, set an objective of equal funding for all school districts. Available funding determines the actual amount of the allocation. The average allocation for 1998-99 is estimated at \$4,591 per weighted student. The allocation includes both state and local financial resources.

The SSF Distribution Formula is a fully-equalized foundation grant program. Under this formula, each student is given a factor as an enrolled student (0.9 for elementary school districts, 1.0 for unified school districts and 1.2 for high school districts) plus additional factors for English as a Second Language (0.5), Handicapped with an Individualized Education Plan (1.0), attending in a remote small school (variable), and Impoverished (0.25). The total of all students as factored is multiplied by a statewide grant (estimate for 1997-98 = \$4,591). A factor of \$25 per year per student that a teacher’s experience exceeds the State average is added to (or subtracted from if below the State average) this calculation to arrive at the State’s General Purpose Grant.

The General Purpose Grant is supplemented by 70 percent of Approved Transportation Costs. This sum is offset by some local revenues including tax offsets, local property taxes for school operations, Common School Fund, Federal Forest Fees and State Timber Revenues. The resulting figure is the amount of the State School Fund Grant.

Bond Issue Ballot Measure. The 1997 Legislature proposed a ballot measure that was approved by voters on November 4, 1997 that provides for the issuance of \$150 million in revenue bonds payable from resources generated through the State lottery. Proceeds will be used to provide funds for "... acquisition, construction, improvement, remodeling, maintenance or repair of public school facilities, including land, site preparation costs, permanent or portable buildings and equipment, telecommunications equipment, computers, software and related technology, textbooks, library books, furniture and furnishings, vehicles, costs of planning for bond issues and capital improvements, the payment of debt service on obligations, other than general obligation bonds, ...". The State of Oregon currently plans to sell the bonds in February 1999.

City Financial Factors

Budgetary Process and Controls

The City prepares an annual budget in accordance with the Oregon Local Budget Law. Chapter 294 of the Oregon Revised Statutes establishes standard procedures for all budget functions for all Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

The City's administrative staff evaluates the budget requests of the various departments of the City to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of five Council members and five lay members. After giving due consideration to the input received from the citizens, the City Council adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted not later than June 30 of each fiscal year.

The budget may be amended during the applicable fiscal year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the City Council pursuant to ORS 294.480.

Financial Reporting

The financial statement of the City is prepared in accordance with generally accepted accounting principles ("GAAP"). In addition to presenting the financial position, results of operations, and changes in financial position of the City's funds, the financial statement reconciles differences in reporting activities between the budgetary basis, as presented in the annual approved budget, and the basis according to GAAP as is used in the preparation of the financial report.

Independent Audit Requirement

Each Oregon municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to the Oregon Municipal Audit Law, Oregon Revised Statutes 297.405 to 297.555. Municipalities having annual expenditures of less than \$500,000, with the exception of counties and school districts, are exempt from this requirement. All Oregon counties and school districts, regardless of amount of annual expenditures, must obtain an audit annually. The required audit may be performed by the State Division of Audits or by independent public accountants certified by the State as capable of auditing municipal corporations.

The City audits for the fiscal years ended June 30, 1995 through 1997 were performed by Pauly, Rogers and Co., P.C., CPAs, Tigard, Oregon; prior audits were performed by Coopers and Lybrand L.L.P., Portland, Oregon. The audit reports indicate the financial statements fairly present the City's financial condition and are in conformance with generally accepted accounting principles applied on a consistent basis. by Pauly, Rogers and Co., P.C. was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of their report on the 1996-97 fiscal year.

A copy of the City's general purpose financial statements for fiscal year 1996-97 is attached hereto as Appendix B.

Pension Plan

The City participates in the State of Oregon Public Employees' Retirement System ("PERS"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Oregon. All participating employees of the City are covered by the plan after six months of employment. The plan is a defined benefit plan to which both the City and the employee contribute. The rate of employee contribution is established by law. The rate of employer contribution is set by the Public Employees' Retirement Board, based upon actuarial valuations.

The City's employer contribution rate for the fiscal year ended June 30, 1998 was 7.88 percent of employee compensation. The rate will change to 8.09 percent effective July 1, 1999. The City's payroll for employees covered by PERS for the fiscal year ended June 30, 1998 was \$5,087,199; the City's total payroll was \$5,449,953. See also "Oregon Public Employees' Retirement System" herein.

Investment Policy

ORS 294.035 authorizes Oregon municipalities to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed and approved by the Oregon Short Term Fund Board.

Municipalities are also authorized to invest up to \$31.9 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. Currently, the State's investment portfolios are not leveraged and do not contain any derivative products.

Year 2000

The City is currently examining all of its computer systems, software and other technology systems to ensure that they are Year 2000 compliant. At this time, the City is not aware of any mission-critical systems operated by the City that are likely to be affected by the Year 2000 problem. Contractors upon whom the City depends for critical services, such as communications, are either Year 2000 compliant, or are expected to be compliant well in advance of the Year 2000.

The City has purchased and is currently installing a Year 2000-compliant financial management system to replace an obsolete and non-compliant Wang system. Municipal court and personnel/risk management software are Year 2000 compliant, as are office software and computer systems. As a fail-safe precaution, the City will develop a continuation of business plan in January of 1999 to ensure that mission-critical services can be delivered without interruption. These include police, fire and emergency medical response, water service and sewer service.

General Fund Balance Sheet
(Years Ending June 30)

	<u>1998*</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Assets					
Equity in pooled cash & investments	\$ 2,304,248	\$ 2,271,351	\$ 1,764,882	\$ 1,433,979	\$ 1,290,578
Cash held by County Treasurer	29,710	33,058	27,486	34,320	36,909
Property taxes receivable	198,617	188,241	166,763	204,810	207,161
Accounts receivable	158,594	140,452	176,715	59,633	49,346
Accrued interest receivable	10,431	23,675	3,972	9,343	11,378
Contracts receivable	0	0	0	0	0
Assessment liens receivable	0	421	421	421	851
Due from other governments	110,952	42,052	52,913	39,626	33,383
Prepaid expenses	71,790	0	0	89,289	5,256
Total Assets	<u>\$ 2,884,342</u>	<u>\$ 2,699,250</u>	<u>\$ 2,193,152</u>	<u>\$ 1,871,421</u>	<u>\$ 1,634,862</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 197,572	\$ 150,736	\$ 184,609	\$ 144,429	\$ 131,926
Deficit in pooled cash	0	0	0	0	0
Accrued salaries and payroll taxes	205,159	159,857	143,517	109,874	245,350
Accrued liabilities	312,344	281,140	275,000	235,665	220,477
Accrued interest payable	0	0	5,318	0	0
Due to other governments	43,641	4,235	0	6,617	3,059
Deposits payable	418,168	565,055	199,638	162,899	208,032
Deferred revenue	316,129	246,272	192,911	192,561	188,927
Total Liabilities:	1,493,013	1,407,295	1,000,993	852,045	997,771
Fund Equity:					
Fund balance:					
Reserved for prepaid expenditures	0	0	0	89,289	0
Unreserved undesignated	1,391,329	1,291,955	1,192,159	930,087	637,091
Total Fund Equity	<u>1,391,329</u>	<u>1,291,955</u>	<u>1,192,159</u>	<u>1,019,376</u>	<u>637,091</u>
Total Liabilities and Fund Equity	<u>\$ 2,884,342</u>	<u>\$ 2,699,250</u>	<u>\$ 2,193,152</u>	<u>\$ 1,871,421</u>	<u>\$ 1,634,862</u>

* Unaudited.

Source: Audited Financial Statements. Certain categories may have been aggregated for purposes of presentation.

**General Fund Statement of Revenues, Expenditures and
Changes in Fund Balances
(Years Ending June 30)**

	<u>1998*</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Revenues					
Taxes	\$ 2,727,134	\$ 2,824,680	\$ 2,693,023	\$ 2,530,362	\$ 2,416,972
Intergovernmental revenues	293,797	328,158	225,433	203,823	199,398
Franchise fees	869,899	904,446	995,761	1,026,809	553,213
Licenses and permits	863,936	1,003,547	689,568	696,272	683,585
Fines and forfeitures	240,930	204,313	185,482	132,154	91,309
Interest earnings	83,915	97,958	102,869	76,115	44,407
Charges for services	403,238	379,994	283,003	207,875	147,275
Assessment collections	0	0	0	430	1,340
Miscellaneous	171,998	187,077	232,337	130,868	156,163
Total Revenues	<u>5,654,847</u>	<u>5,930,173</u>	<u>5,407,476</u>	<u>5,004,708</u>	<u>4,293,662</u>
Expenditures					
Current:					
General government	1,730,261	1,697,519	1,444,515	1,221,484	1,348,949
Cultural and recreation	1,500,932	1,531,355	1,403,654	1,189,774	990,574
Public safety	2,757,724	2,862,614	2,688,052	2,508,542	2,107,715
Debt Service	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Total Expenditures	<u>5,988,917</u>	<u>6,091,488</u>	<u>5,536,221</u>	<u>4,919,800</u>	<u>4,447,238</u>
Excess of revenues over (under) expenditures	<u>(334,070)</u>	<u>(161,315)</u>	<u>(128,745)</u>	<u>84,908</u>	<u>(153,576)</u>
Other Financing Sources (Uses)					
Proceeds from capital leases					
Operating transfers in	433,444	296,165	332,978	297,377	204,436
Operating transfers (out)	0	(35,054)	(31,450)	0	(164,844)
Total Other Financing Sources (Uses)	<u>433,444</u>	<u>261,111</u>	<u>301,528</u>	<u>297,377</u>	<u>39,592</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>99,374</u>	<u>99,796</u>	<u>172,783</u>	<u>382,285</u>	<u>(113,984)</u>
Beginning fund balance	<u>1,291,955</u>	<u>1,192,159</u>	<u>1,019,376</u>	<u>637,091</u>	<u>751,075</u>
Ending fund balance	<u>\$ 1,391,329</u>	<u>\$ 1,291,955</u>	<u>\$ 1,192,159</u>	<u>\$ 1,019,376</u>	<u>\$ 637,091</u>

* Unaudited.

Source: Audited Financial Statements. Certain categories may have been aggregated for purposes of presentation.

General Fund Adopted Budget
(Years Ended June 30)

	<u>1999</u>	<u>1998</u>
Resources		
Beginning Balance	\$ 899,581	\$ 1,291,955
Current Year's Revenues		
Property Taxes Current	2,515,567	2,295,075
Property Taxes Prior	154,680	130,000
Interest on Delinquent Taxes	18,000	25,000
Other	2,838,475	2,541,099
Interfund Transactions	532,547	471,392
Interfund Reimbursement	<u>1,115,061</u>	<u>1,352,207</u>
Total Budget Resources	<u>\$ 8,073,911</u>	<u>\$ 8,106,728</u>
Expenditures		
Personal Services	\$ 5,885,346	\$ 5,412,792
Materials & Services	1,866,977	1,806,566
Capital Outlay	81,300	124,347
Transfers	236,221	232,045
Contingencies	<u>4,067</u>	<u>530,978</u>
Total Budget Expenditures	<u>\$ 8,073,911</u>	<u>\$ 8,106,728</u>

Source: City of West Linn 1998-99 Adopted Budget

The City

The City of West Linn, Oregon was incorporated in 1913 and operates under the provision of its own charter and applicable State law with an Manager-Council form of government. The Mayor, who serves a two-year term, chairs City Council meetings. The mayor and Council vote on all ordinances and legislative matters. The five Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The City Manager is appointed by the City Council. Other City department heads are appointed by the City Manager.

The City of West Linn provides a full range of municipal services to the community which includes police and fire protection, emergency medical services, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation (building inspection and regulation), community library service, municipal court and parks and recreation.

The present members of the City Council, their occupations and the expiration of their respective terms of office follow:

<u>Council Member</u>	<u>Occupation</u>	<u>Term Expires</u>
Jill Thorn, Mayor	Office Manager/Computer Programmer	12/31/00
Dee Burch, Council President	Engineer/ Business Manager	12/31/00
John Jackley	Writer	12/31/98
Michael Kapigian	Building Contractor	12/31/98
Tom Neff	Retired	12/31/00
John Steele*	Computer System Analyst	12/31/00
Mike McFarland*	BPA Public Utility Specialist	12/31/00

* Elected November 3, 1998 for the term commencing January 1, 1999.

Key Administrative Officials

The City Manager is the City's chief administrative officer, who is appointed by the City Council for an indefinite term and serves at the pleasure of the Council. The City Manager appoints all other key administrative officials.

Scott Burgess, City Manager. Mr. Burgess has been with the City since August, 1993, when, as a management consultant, he was hired as the City's Interim City Manager. He was then hired by the City Council on a permanent basis in February 1994. Prior to his experience as a consultant, Mr. Burgess was the executive director of the Alaska Municipal League for over eight years. Mr. Burgess received his B.C.P. (City Planning) from the University of Virginia in 1973 and his M.P.A. from Portland State University in 1982.

William Gin, Finance Director. Mr. Gin joined the City in January 1985 after working as the Assistant Finance Director/Accounting Department Manager for the City of Beaverton, Oregon. Previously, Mr. Gin worked as Accountant for the City of Tualatin, Oregon and Office Manager/Accountant in the heavy construction industry. He attended Portland State University/Portland Community College, specializing in Business Administration.

The City's administrative offices are located at 22825 Willamette Drive, West Linn, Oregon. The telephone number is (503) 657-0331.

Employees

The City has 149 employees: 72 non-union employees and 77 union employees. The City maintains good relationships with the two bargaining units representing its employees.

<u>Collective Bargaining Unit</u>	<u>Employees</u>	<u>Contract Expires</u>
Clackamas County Peace Officers Association	22	3 years; June 30, 2000
American Federation of State, County and Municipal Employees	55	5 years; June 30, 2002

Union contracts are negotiated by the Director of Human Resources, approved by the City Manager and adopted by the City Council at the recommendation of the City Manager.

Demographic Information

The City of West Linn is located in Clackamas County. Clackamas County (the "County") is part of the Portland-Vancouver Primary Metropolitan Statistical Area ("Portland PMSA"), which also includes Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark County in Washington. General economic information regarding the Portland-PMSA and Clackamas County follows.

Population

Population within the County grew approximately 46 percent between 1970 and 1980, primarily due to immigration from other parts of Oregon and the nation. Between 1980 and 1990, the County's population grew by over 15 percent, in spite of a recession during the early 1980s. Since 1990, the County population has grown another ten percent. Growth is attributed to the strong economic growth of the Portland area, with its diversification of industries.

Shown below are recent population figures for the City, the County and the State.

Population			
<u>July 1</u>	<u>West Linn</u>	<u>Clackamas County</u>	<u>State of Oregon</u>
1998	21,405	323,700	3,267,550
1997	20,415	317,700	3,217,000
1996	19,960	313,200	3,181,000
1995	19,370	308,600	3,132,000
1994	18,860	305,500	3,082,000
1993	18,165	302,000	3,038,000
1992	17,645	294,500	2,979,000
1991	17,160	288,700	2,930,000
1990	16,500	280,500	2,856,000
 <u>April 1*</u>			
1990	16,367	278,850	2,842,321
1980	11,358	241,911	2,633,156

* U.S. Census Count

Source: *Center for Population Research, Portland State University*

Employment

The early economy of the County grew as a result of fertile agricultural and timber lands and its access to the Willamette and Columbia rivers. The area then began developing as a suburb of Portland, but over the past two decades has developed its own economic base which includes high technology firms and retail trade and distribution. Despite its rapid development, however, the County still contains prime agricultural land and a strong agricultural economy.

The County's economic base has traditionally been centered in agriculture and timber. Manufacturing and technology are becoming increasingly important, with the lumber business declining in importance.

Major employers locally include the following list.

**Clackamas County
Major Employers**

<u>Company</u>	<u>Location</u>	<u>Product</u>	<u>Employees</u>
Kaiser Permanente Hospital	Clackamas	Health Care	2,800
Clackamas County	Oregon City	Government	1,502
United Grocers, Inc.	Milwaukie	Warehouse and distribution	1,400
Tektronix Inc.	Wilsonville	Computer terminals manufacturing	1,372
North Clackamas School District	Milwaukie	Education	1,360
Fred Meyer Distribution Center	Clackamas	Product warehouse	1,100
Thrifty Pay Less Inc.	Wilsonville	Corporate headquarters	1,034
Mentor Graphics Corporation	Wilsonville	Software & services for electronic prod.	1,000
Oregon Cutting Systems (Division of Blount)	Milwaukie	Saw chains manufacturing	900
Lake Oswego School District	Lake Oswego	Education	790
Clackamas Community College	Oregon City	Education	737
Precision Castparts	Clackamas	Metal castings	700
Pace Company	Milwaukie	Heating Ventilation & Air Condition Equip.	700
Oregon City School District	Oregon City	Education	675
Willamette Falls Hospital	Oregon City	Health care	673
Meridian Park Hospital	Tualatin	Health care	640
West Linn-Wilsonville School Dis.	West Linn	Education	630

Source: North Clackamas County Chamber of Commerce, January 1997

The economy of the Portland metropolitan area is broad and widely diversified. Historically, the two major manufacturing industries locally were forest products and food products processing due to the abundance of forests and agricultural land in the State. In 1950, these two industries accounted for over 40 percent of all local manufacturing employment, and today account for about 15 percent of employment in manufacturing. Forest and food products manufacturing remain important sectors of the economy; however, growth in manufacturing has diversified to include machinery, electrical and electronic equipment, transportation equipment, primary and fabricated metals and other durable goods. Currently, manufacturing accounts for 16 percent of the total non-agricultural employment in the Portland PMSA.

Preliminary 1997 information within the Portland PMSA shows total employment of 981,600 out of a civilian labor force of 1,025,700, a 95.7 percent employment rate. Recent statistics on the Portland PMSA labor force follow.

**Portland PMSA
Labor Force Summary
(by place of residence)**

	<u>1997 (1)</u>	<u>1996 (2)</u>	<u>1995</u>	<u>1997 Change from</u>	
				<u>1996</u>	<u>1995</u>
Civilian Labor Force (3)	1,025,700	1,001,900	958,600	23,800	67,100
Unemployment	44,100	45,400	35,600	-1,300	8,500
Percent of Labor Force	4.3%	4.5%	3.7%	xxx	xxx
Total Employment (4)	981,600	956,500	923,000	25,100	58,600

(1) Preliminary

(2) Revised

(3) Includes employed and unemployed individuals 16 years and older. Data are adjusted for multiple job holding and commuting.

(4) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agriculture, and labor disputants.

Source: Oregon Employment Division, Department of Human Resources, "Portland Metropolitan Labor Trends"

Non-agricultural employment within the Portland PMSA follows.

**Portland-Vancouver PMSA
Preliminary 1997 Non-Agricultural Employment**

<u>Category</u>	<u>Employed</u>	<u>Percent</u>
Manufacturing	147,500	16.1%
Non-Manufacturing	<u>770,700</u>	<u>83.9</u>
Total non-agricultural employment	<u>918,200</u>	<u>100.0%</u>

Manufacturing. Machinery, electronics and other electrical equipment are the leading manufacturing employers within the Portland PMSA.

Non-Manufacturing. The Portland PMSA's non-manufacturing employment can be summarized as follows:

<u>Non-Manufacturing Employment Category</u>	<u>1997 Employed</u>	<u>Percent of Non-Manufacturing</u>
Trade	228,300	29.6%
Services/Miscellaneous	252,400	32.7
Government	115,900	15.0
Other	<u>174,100</u>	<u>22.6</u>
Total Non-Manufacturing	770,700	100.0%

Trade employment is primarily in retail establishments. Services and miscellaneous employment is quite diversified, but the two leading subcategories are business services and health services.

Additional details on non-agricultural employment are as follows:

**Portland PMSA
Nonagricultural Wage & Salary Employment
(by place of work)**

	<u>1997 (1)</u>	<u>1996 (2)</u>	<u>1995</u>	<u>1997 Change from</u>	
				<u>1996</u>	<u>1995</u>
Total Employment	918,200	879,000	839,600	39,200	78,600
Manufacturing	147,500	142,000	137,200	5,500	10,300
Durable Goods	106,400	100,900	95,800	5,500	10,600
Nondurable Goods	41,100	41,100	41,300	0	-200
Nonmanufacturing	770,700	737,000	702,400	33,700	68,300
Construction & Mining	55,300	52,100	45,400	3,200	9,900
Trans., Comm. & Utilities	52,200	50,800	48,400	1,400	3,800
Trade	228,300	218,300	210,800	10,000	17,500
Finance, Insurance & Real Est.	66,700	63,600	60,200	3,100	6,500
Services & Miscellaneous	252,400	238,600	227,500	13,800	24,900
Government	115,900	113,600	110,100	2,300	5,800
Labor-Management Disputes	400	100	0	300	400

(1) Preliminary

(2) Revised

(3) Goods Producing Industries include manufacturing, mining and construction.

(4) Services Producing Industries include transportation, communications and utilities; trade; finance, insurance and real estate; services; and government.

Source: Oregon Employment Department, 1997 and 1996 data as of March 1998 and 1995 data as of March 1997

Unemployment

In current years, unemployment rates in the Portland PMSA have been lower than those in the rest of the State and in the nation as can be seen in the following table.

Average Annual Unemployment Rates

<u>Year</u>	<u>Portland- Vancouver PMSA</u>	<u>State</u>	<u>U.S.A.</u>
1997	4.3%	5.8%	4.9%
1996	4.5	5.9	5.4
1995	3.7	4.8	5.6
1994	4.4	5.4	6.1
1993	6.0	7.2	6.9

Source: State of Oregon Employment Department; U.S. Department of Labor, Bureau of Labor Statistics.

Agriculture

Clackamas County ranks third in crop sales for Oregon counties and first in specialty crops (such as fruits and nuts) and egg/poultry sales. In addition, County farmers grow a wide variety of grass, tree and truck crops.

**Clackamas County
Agricultural Estimates**

	<u>Total Acres Harvested</u>	<u>Gross Farm Sales (\$000)</u>		
		<u>Crops</u>	<u>Animal Products</u>	<u>Total</u>
1996*	63,043	\$198,926	\$44,626	\$243,552
1995	63,200	179,246	43,731	222,977
1994	62,790	175,740	44,182	219,922
1993	62,795	170,983	45,460	216,443
1992	68,883	170,883	48,976	219,859
1991	70,898	160,160	49,849	210,009
1990	74,505	153,610	50,463	204,073

* Preliminary

Source: Oregon State University Extension Service, "Oregon County State Agricultural Estimates" Special Report 790 and Commodity Data Sheets

Transportation

Easy access to the freeway system has benefited areas along Interstate Highway 205 ("I-205"), which bisects the County and the City. This bypass link of Interstate Highway 5 runs between Wilsonville to the south and Clark County, Washington to the north. I-205 also connects Clackamas County to Portland International Airport. Most of the segments through Clackamas County were completed during the mid-1970s. At that time major retail and commercial developments occurred in the areas bordering the freeway.

The Port of Portland is coterminous with Clackamas, Multnomah and Washington counties, and it owns marine berthing, terminal and repair facilities; docks, piers, and storage and warehouse facilities; and other support facilities for incoming and outgoing marine commerce. The Port also operates Portland International Airport located approximately 20 miles northeast of the South Fork Water District on I-205.

Economic Indicators

Following are economic indicators for Clackamas County:

**Clackamas County
New Residential Building Permits**

<u>Year</u>	<u>New Single Family</u>		<u>New Multi Family</u>		<u>Total Valuation</u>
	<u>Number</u>	<u>Valuation</u>	<u>Number</u>	<u>Valuation</u>	
1997	1,938	\$365,960,466	1,123	\$ 67,507,385	\$433,467,851
1996	1,912	645,656,773	1,019	54,619,906	700,276,679
1995	1,605	275,012,370	1,347	67,517,343	342,529,713
1994*	1,898	NA	1,105	NA	367,921,766
1993*	1,849	NA	493	NA	302,162,247

* The method of reporting has changed. Individual values for single family and multi-family residential permits is no longer available.

Source: Portland State University, Center for Population Research and Census.

Real Market Valuations

<u>Fiscal Year*</u>	<u>City of West Linn</u>
1998	\$1,677,077,140
1997	1,523,490,300
1996	1,357,912,910
1995	1,177,065,060
1994	1,063,205,220

Source: Clackamas County Department of Assessment and Taxation

Income

Total Personal and Per Capita Income

<u>Year</u>	<u>Clackamas County</u>		<u>Portland-Vancouver PMSA</u>		<u>State of Oregon</u>	
	<u>Total Personal Income (in millions)</u>	<u>Per Capita Income</u>	<u>Total Personal Income (in millions)</u>	<u>Per Capita Income</u>	<u>Total Personal Income (in millions)</u>	<u>Per Capita Income</u>
1996	\$8,683.3	\$26,793	\$45,996.9	\$26,228	\$73,370.7	\$23,111
1995	8,015.2	25,343	42,504.4	24,809	68,379.6	21,915
1994	7,444.5	23,993	39,034.3	23,252	63,688.5	20,620
1993	6,966.2	22,911	36,337.0	22,081	59,656.4	19,651
1992	6,421.0	21,613	33,831.8	21,052	55,775.7	18,747

Source: U.S. Department of Commerce, Economic Stats. Admin. Bureau of Economic Analysis, May 1998

Oregon Public Employees Retirement System

The Oregon Public Employees Retirement System collects contributions from both employers and employees for the purpose of funding retirement benefits. The system at June 30, 1997, covered approximately 185,111 state and local government Oregon employees and 68,449 retired employee-beneficiaries. The system is administered by the Oregon Public Employees' Retirement Board.

Employee contributions and employer contributions are collected and used to fund a full formula pension retirement allowance. The pension is based on a statutory formula and is set according to employee's final average salary and term of service. Such pensions are paid exclusively out of interest and principal accumulations from member and employer contributions.

The following figures (represented in millions) are as of June 30, 1997 (audited):

	<u>1997</u>	<u>1996</u>
Total system assets	\$ 31,166.7	\$ 23,014.6
Total system benefit and refund payments made	909.1	1,066.8
Total employer contributions	461.8	445.6
Total employee contributions	303.7	289.7
Total system investment income	4,830.0	3,640.2

Total annual payroll of members covered by the system (as of 12/31/95): 4,848.1

The system's pension program is a defined plan, and requires periodic actuarial review. Under ORS 237, this review must be performed at least every two years. The Governmental Accounting Standards Board (GASB) requires actuarial review every two years, with an actuarial update between years.

The most recently completed evaluation, conducted by the firm of Milliman and Robertson, Inc., indicates total City assets of \$15,423,979 as of December 31, 1997. The actuarial liability under the entry age actuarial cost method was overfunded by \$825,960 as of December 31, 1997 based on covered payroll of \$5,245,167. The

fiscal year 1997-98 contribution rate for the City was 7.88 percent plus six percent for the City's employees. The employer contribution rate will increase to 8.09 percent effective July 1, 1999 and 8.91 percent, effective July 1, 2001.

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995 which has been codified into ORS 238.435. This legislation created a second tier of benefits for persons who established membership on or after January 1, 1996 ("Tier Two Members"). The second tier provides a lower benefit structure than is available to prior members ("Tier One Members"). Any potential reductions in employer contribution rates will not be realized until turnover has occurred and Tier Two Members replace Tier One Members. To establish membership in PERS, a person must work for six months in a qualifying position for a participating employer.

Book-Entry Only System

The following information has been provided by DTC. The City makes no representation as to the accuracy or completeness thereof. Beneficial Owners should confirm the following with DTC or the Participants (as hereinafter defined).

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered Bonds, registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered security certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with or for the benefit of DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need of physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed

by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participant's accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to DTC is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Litigation

There is no litigation pending questioning the validity of the Bonds nor the power and authority of the City to issue the Bonds. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Bonds.

The Initiative Process

The Oregon Constitution, Art. IV, Sec. 1, reserves to the people of the state the initiative and referendum power pursuant to which measures designed to amend the state Constitution or enact legislation, can be placed on the statewide general election ballot for consideration by the voters. "Referendum" generally means measures which have been passed by the legislature and then referred to the electors by a legislative body, such as the State Legislative Assembly or the governing body of a district, county or other political subdivision, or by petition prior to its effective date. "Initiative" generally means a new measure placed before the voters as a result of a petition circulated by one or more private citizens.

Any person may file a proposed initiative with the Oregon Secretary of State's office. The Oregon Attorney General is required by law to draft a proposed ballot title for the initiative. Public comment on the draft ballot title is then solicited by the Secretary of State. After considering any public comments submitted, the Attorney General will either certify the draft ballot title or revise the draft ballot title. Any elector that submitted written comments who is dissatisfied with the ballot title certified by the Attorney General may petition the Oregon Supreme Court seeking a revision of the certified ballot title.

Once the ballot title has been certified and the Secretary of State has authorized the petitioners, the proponents of the initiative may start gathering the initiative petition signatures necessary to place the proposed initiative on the ballot. To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by a number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at gubernatorial election at which a Governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the November 3, 1998 general election the requirements were eight percent (97,681 signatures) for a constitutional measure and six percent (73,261 signatures) for a statutory initiative; this amount will change for the November 2000 general election. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The initiative petition must be filed with the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signature is being paid, the signature sheet must contain a notice of such payment.

Historical Initiative Petitions

Over the past decade Oregon has witnessed increasing activity in the number of initiative petitions that have qualified for the statewide general election. According to the Elections Division of the Oregon Secretary of State, the number of initiative petitions that have qualified for the ballot and the number that have passed in the general elections in the years 1988, 1990, 1992, 1994, 1996 and 1998 are as follows:

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
1988	5	3
1990	8	3
1992	7	0
1994	16	8
1996	16	4
1998	10	6

For additional information concerning certain previous initiative measures which have been adopted by the voters, see "Property Tax" herein.

Source: Elections Division, Oregon Secretary of State; 1998 INITIATIVE LOG Elections Division

Tax Exemption

General

In the opinion of Bond Counsel, interest on the Bonds is excluded from gross income for purposes of federal income taxation pursuant to Section 103(a) of the Code, provided the requirements of the Code described in this section under the heading "Continuing Requirements" are complied with.

The Bonds are not private activity bonds and interest on the Bonds is not an item of tax preference for purposes of determining alternative minimum taxable income for individuals or corporations under the Code, however, interest on the bonds is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code as more fully described in this section under the heading "Certain Federal Income Tax Consequences."

Except as described herein, Bond Counsel expresses no opinion on any state or local tax consequence arising with respect to ownership of the Bonds.

Continuing Requirements

The Code imposes a number of requirements that must be satisfied in order for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the facilities financed or refinanced with such proceeds, limitations on the investment of bond proceeds prior to expenditure and a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States. The City has covenanted in the bond documents that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the City contained in the bond documents pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City with respect to matters solely within the knowledge of the City, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the bond documents or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Certain Federal Income Tax Consequences

The following is a discussion of certain federal tax matters under the Code. This discussion does not purport to deal with all aspects of federal taxation that may be relevant to particular bondowners. Prospective bondowners, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Alternative Minimum Tax on Corporations. Section 55 of the Code imposes an alternative minimum tax on corporations equal to the excess of the tentative minimum tax for the taxable year over the regular tax for such year. The tentative minimum tax is based upon alternative minimum taxable income which is regular taxable income with certain adjustments and increased by the amount of certain items of tax preference. One of the adjustments is 75 percent of the amount by which a corporation's adjusted current earnings exceeds the corporation's alternative minimum taxable income (determined without regard to such adjustment and the alternative tax net operating loss deduction). Interest on tax-exempt obligations, such as the Bonds, is included in a corporation's adjusted current earnings.

For taxable years beginning after December 31, 1997, the corporate alternative minimum tax is repealed for small business corporations that had average gross receipts of less than \$5 million for the three-year period beginning after December 31, 1994, and such small business corporations will continue to be exempt from the corporate alternative minimum tax so long as their average gross receipts do not exceed \$7.5 million.

Financial Institutions. The City has designated the Bonds as qualified tax-exempt obligations for banks, thrift institutions and other financial institutions so that such financial institutions will not be denied a deduction of 100 percent of their interest expenses allocable to the Bonds. However, corporate tax preference rules reduce by 20 percent the amount that may be deducted by such financial institutions for interest on funds allocable to tax-exempt obligations such as the Bonds.

Borrowed Funds. The Code provides that interest paid on funds borrowed to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or when carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The deduction for loss reserves for property and casualty insurance companies is reduced by 15 percent of the sum of certain items, including the interest received on tax-exempt bonds, such as the Bonds.

Social Security and Railroad Retirement Benefits. The Code also requires recipients of certain Social Security or Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest that is exempt from federal income tax.

Branch Profits Tax. Certain foreign corporations doing business in the United States may be subject to a branch profits tax on their effectively connected earnings and profits, including tax-exempt interest on obligations such as the Bonds.

S Corporations. Certain S corporations that have subchapter C earnings and profits at the close of a taxable year and gross receipts more than 25 percent of which are passive investment income, which includes interest on tax-exempt obligations, such as the Bonds, may be subject to a tax on excess net passive income.

In the opinion of Bond Counsel, interest on the Bonds is exempt from present State of Oregon personal income taxation.

Municipal Bond Insurance

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix D for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 1998 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 1998 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 1998 Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 1998 Bonds under tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Series 1998 Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 1998 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Series 1998 Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 1998 Bonds or presentment of such other proof of ownership of the Series 1998 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 1998 Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Series 1998 Bonds in any legal proceeding related to payment of insured amounts on the Series 1998 Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A. State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured

amounts due on such Series 1998 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

Effective February 17, 1998, the Company acquired all of the outstanding stock of Capital Markets Assurance Corporation ("CapMAC") through a merger with its parent CapMAC Holdings Inc. Pursuant to a reinsurance agreement, CMAC has ceded all of its net insured risks (including any amounts due but unpaid from third party reinsurers), as well as its unearned premiums and contingency reserves to the Insurer. The Company is not obligated to pay the debts of or claims against CMAC.

As of December 31, 1997, the Insurer had admitted assets of \$5.3 billion (audited), total liabilities of \$3.5 billion (audited), and total capital and surplus of \$1.8 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 1998, the Insurer had admitted assets of \$6.3 billion (unaudited), total liabilities of \$4.1 billion (unaudited), and total capital and surplus of \$2.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

Moody's Investors Service ("Moody's") rates the financial strength of the Insurer "Aaa."

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, rates the financial strength of the Insurer "AAA."

Fitch IBCA, Inc. (formerly known as Fitch Investors Service, L.P.), rates the financial strength of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 1998 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the ratings may have an adverse effect on the market price of the Series 1998 Bonds. The Insurer does not guaranty the market price of the Series 1998 Bonds nor does it guaranty that the ratings on the Series 1998 Bonds will not be reversed or withdrawn.

Rating

Moody's Investors Service and Standard & Poor's have assigned ratings of "Aaa" and "AAA" to the Series 1998 Bonds, with the understanding that, upon delivery of the Series 1998 Bonds, the MBIA Insurance Corporation Insurance Policy will be issued with respect to the Series 1998 Bonds. Such ratings reflect only the view of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies furnishing the same, at the following addresses: (i) Moody's Investors Service, 99 Church Street, New York, New York 10007-2867 and (ii) Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 1998 Bonds.

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of Series 1998 Bonds by the City are subject to the unqualified approving legal opinion of Bond Counsel, substantially in the form attached hereto as Appendix A. Bond Counsel has reviewed this document only to confirm that the portions of it describing the Series 1998 Bonds and the authority to issue them conform to the Series 1998 Bonds and the applicable laws under which they are issued.

Limited Continuing Disclosure Undertaking

Pursuant to Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the City will undertake to provide continuing disclosure of certain financial information and material events as set forth in the Continuing Disclosure Certificate, a form of which is attached hereto as Appendix C. Financial information provided pursuant to the Rule may be obtained upon request from the City of West Linn, 22825 Willamette Drive, P.O. Box 29, West Linn, Oregon 97068, Attn: Finance Director. The City has not failed to comply with any previous undertakings pursuant to the Rule.

Underwriting

The Series 1998 Bonds are being purchased by Seattle-Northwest Securities Corporation acting as the Underwriter. The purchase contract provides that the Underwriter will purchase all of the Series 1998 Bonds, if any are purchased, at a price of \$4,363,765.05 (\$99.1765 per \$100 of the par value of the Series 1998 Bonds), representing an original issue discount of \$3,814.95 and an underwriter's discount of \$32,420, plus accrued interest from December 1, 1998 to December 30, 1998. The Series 1998 Bonds will be reoffered at an average price of 99.9133 percent of the par value of the Series 1998 Bonds. After the initial public offering, the public offering prices may be varied from time to time.

Concluding Statement

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Underwriter or the City. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The information contained herein should not be construed as representing all conditions affecting the City or the Series 1998 Bonds. Additional information may be obtained from the City. The statements relating to the Resolution are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such document in its complete form.

The agreements of the City are set forth in such documents, and the information assembled herein is not to be construed as a contract with Owners of the Series 1998 Bonds. Information with respect to the City set forth in this Official Statement has been supplied by the City, and the Underwriter has relied on the City with respect to the accuracy and sufficiency of such information.

APPENDIX A

Form of Bond Counsel Opinion

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PRESTON GATES & ELLIS LLP
ATTORNEYS

Draft
Legal Opinion

City of West Linn
2042 8th Avenue
West Linn, Oregon 97068

Seattle-Northwest Securities Corporation
1000 S.W. Broadway, Suite 1800
Portland, OR 97205

Subject: \$4,400,000 City of West Linn, Clackamas County, Oregon General Obligation Bonds, Series 1998

We have acted as bond counsel in connection with the issuance by City of West Linn, in Clackamas County, Oregon (the "Issuer") of its General Obligation Bonds, Series 1998 (the "Bonds"), which are dated December 1, 1998 and are in the aggregate principal amount of Four Million Four Hundred Thousand (\$4,400,000).

The Bonds are issued pursuant to the authority granted by the voters of the City at an election held on November 3, 1998 and a Resolution of the Issuer adopted on November 23, 1998 (the "Bond Resolution").

We have examined the law, a duly certified transcript of proceedings of the Issuer, prepared in part by us, and other documents which we deem necessary to render this opinion.

We have relied on the certified proceedings and other certifications of public officials regarding questions of fact material to our opinion and have not undertaken to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the Bonds, except to the extent stated in the official statement, and we express no opinion relating thereto, except to the extent stated in the official statement.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds have been legally authorized under and pursuant to the Constitution and Statutes of the State of Oregon and the Charter of the Issuer. The Bonds are valid and legally binding general obligations of the Issuer. The Issuer has pledged its full faith and credit to the payment of the Bonds. The Bonds are payable from ad valorem taxes which may be levied without limitation as to rate or amount on all taxable property within the boundaries of the Issuer, to the extent necessary funds are not provided from other sources.
2. Interest on the Bonds is excluded from gross income for purposes of federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). We are also of the opinion that the Bonds are not private activity bonds.

A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

ANCHORAGE • COEUR D'ALENE • LOS ANGELES • SEATTLE • SPOKANE • TACOMA • WASHINGTON, D.C.
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Legal Opinion

Page 2

3. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations, but is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code.

4. Under the Code, the Issuer is required to comply with certain requirements relating to the use of the facilities financed with the proceeds of the Bonds and the use and investment of the proceeds of the Bonds. The Issuer has covenanted to comply with these requirements and our opinion assumes such compliance. Failure to comply with these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. The Issuer has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

6. Interest on the Bonds is exempt from State of Oregon personal income taxes.

Except as stated herein, we express no opinion regarding any federal, state or local tax consequences arising with respect to ownership of the Bonds. Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral tax consequences.

The opinions set forth above are qualified only to the extent that the enforcement of the rights and remedies of the owners of the Bonds and under the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Our opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

Respectfully submitted,

PRESTON GATES & ELLIS LLP

Lawyers

APPENDIX B
Audited General Purpose Financial Statements
for the Fiscal Year Ended June 30, 1997

The City's Auditor has not performed any further review of the City's general purpose financial statements since the date of the audit contained herein.

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PAULY, ROGERS AND CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

• 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
• (503) 620-2632 • FAX (503) 684-7523

To the Honorable Mayor and
Members of the City Council
City of West Linn
West Linn, Oregon

November 13, 1997

INDEPENDENT AUDITORS' REPORT

We have audited the general purpose financial statements of the City of West Linn, Oregon, as of and for the year ended June 30, 1997 as listed in the table of contents. The general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of West Linn, Oregon, as of June 30, 1997 and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary data of combining and individual fund and account group statements and other financial schedules, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this report, designated as the statistical section in the table of contents, has not been audited by us, and accordingly, we express no opinion on such data.

PAULY, ROGERS AND CO., P.C.

BY:

Roy R. Rogers, Shareholder

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City of West Linn, Oregon

General Purpose Financial Statements

City of West Linn, Oregon
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1997

	Governmental Fund Types				Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		General Assets	Long-Term Debt	June 30, 1997	June 30, 1996
ASSETS AND OTHER DEBITS									
Equity in Pooled Cash and Investments							\$ 14,180,374	\$ 12,127,790	
Cash Held by County Treasurer	\$ 2,271,351	\$ 7,294,696	\$ 95,714	\$ 564,321			44,029	40,518	
Cash with Fiscal Agent	33,058	9,294	1,677	23,280			23,280		
Property Taxes Receivable	188,241	53,800	8,975				251,016	240,783	
Assessment Liens Receivable	421						421	421	
Accounts Receivable, Net	140,452	130,423					904,422	848,824	
Contracts Receivable	23,875	66,381	1,180	5,038			58,408	59,522	
Due from Other Governments	42,052	85,208			1,932		119,002	25,352	
Inventory							131,477	215,971	
Prepaid Expensures					29,825		106,530	94,101	
Restricted Assets							200	200	
Equity in Pooled Cash and Investments							401,013	778,034	
Accrued Interest Receivable							4,217	4,217	
Fixed Assets, Net						\$ 8,538,225	25,042,513	24,383,124	
Investment in South Fork Water Board							2,212,113	1,547,515	
Amount to be Provided for Bonded Debt Service							\$ 902,855	902,855	
Amount Available for Bonded Debt Service							122,145	122,145	
Total Assets and Other Debits	\$ 2,889,250	\$ 7,639,782	\$ 130,608	\$ 570,159	\$ 1,623,011	\$ 8,538,225	\$ 44,483,795	\$ 41,552,338	
LIABILITIES, FUND EQUITY AND OTHER CREDITS									
Liabilities:									
Accounts Payable	\$ 150,736	\$ 139,342		\$ 4,802			\$ 453,850	\$ 963,497	
Accrued Salaries and Payroll Taxes	158,857	51,703					211,580	139,230	
Accrued Liabilities	281,140	30					325,015	325,949	
Deferred Compensation Payable							2,317	8,900	
Due to Other Governments	4,235					\$ 1,445,486	1,445,486	1,374,868	
Deposits Payable	585,055						585,055	585,389	
Contract Retainage Payable							544,334	544,334	
Deferred Revenue	246,272	49,668	8,311				1,270	11,270	
Matured Interest Payable			350				304,251	250,574	
Bonds Payable							350	350	
Total Liabilities	1,407,295	240,743	8,661	4,802	1,445,486	\$ 1,025,000	\$ 1,245,000	\$ 1,510,000	
Fund Equity and Other Credits:									
Contributed Capital							4,903,231	4,883,959	
Investment in General Fixed Assets								19,830,640	19,447,523
Retained Earnings Reserve for Construction						\$ 8,538,225	8,538,225	8,540,239	
Retained Earnings Unreserved							452,028	429,825	
Fund Balances:							1,203,718	414,574	
Reserved for Prepaid Expensures					179,457			200	
Reserved for Endowments							179,457	157,298	
Reserved for System Development Unreserved:							3,383,873	2,333,582	
Designated for Debt Service		3,383,873							
Undesignated	1,291,955	4,015,168					5,872,473	5,724,378	
Total Fund Equity and Other Credits	1,291,955	7,399,039	122,145	585,357	179,457	\$ 8,538,225	\$ 39,580,564	\$ 38,959,977	
Total Liabilities and Fund Equity	\$ 2,889,250	\$ 7,639,782	\$ 130,608	\$ 570,159	\$ 1,623,011	\$ 8,538,225	\$ 44,483,795	\$ 41,552,338	

The accompanying notes are an integral part of the general purpose financial statements.

City of West Linn, Oregon
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types
For the Year Ended June 30, 1997

	Governmental Fund Types			Totals (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects	1997	1996
REVENUES						
Taxes	\$ 2,824,680	\$ 714,778	\$ 101,533		\$ 3,640,992	\$ 3,102,668
Intergovernmental Revenues	328,158	1,925,503			1,853,661	1,892,308
Franchise Fees	804,446	48,751			951,197	1,435,987
Licenses and Permits	1,003,547				1,003,547	889,566
Fees for Services	378,994	378,193			757,187	848,584
Fines and Penalties	204,313				204,313	185,482
Systems Development Fees	1,979,509				1,979,509	748,861
Interest Earnings	97,938	205,414	7,101	\$ 34,613	345,066	453,243
Recycling Programs		73,767			73,767	72,422
Miscellaneous	187,077	19,768	352		207,198	324,213
Total Revenues	5,930,172	4,943,685	108,986	34,613	11,017,457	10,951,344
EXPENDITURES						
Current						
General Government	1,597,519	70,287		98,774	1,866,580	1,735,858
Cultural and Recreation	1,331,355	375,195			1,806,550	1,526,276
Public Safety	2,382,914	484,127			3,029,761	3,488,939
Highways and Streets		1,274,648			1,274,648	1,032,640
Sanitation		788,499			788,499	971,797
Debt Service			185,000		185,000	155,000
Principal Interest			54,598		54,598	61,710
Total Expenditures	6,091,488	3,430,484	219,598	98,774	9,830,344	8,593,130
Excess of Revenues Over (Under) Expenditures	(161,315)	1,513,201	(110,612)	(62,161)	1,179,113	1,458,214
Other Financing Sources (Uses)						
Interfund Transfers In	296,165	210,059	95,687		601,921	633,814
Interfund Transfers Out	(35,054)	(47,150)		(38,944)	(543,148)	(530,438)
Total Other Financing Sources (Uses)	251,111	162,909	95,687	(38,944)	98,773	103,376
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	99,796	1,252,110	(14,915)	(99,105)	1,237,866	1,561,600
Fund Balances June 30, 1996	1,192,159	8,146,929	137,060	664,462	8,140,610	6,572,010
Fund Balances June 30, 1997	\$ 1,291,955	\$ 7,399,039	\$ 122,145	\$ 565,357	\$ 9,378,496	\$ 8,140,610

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The accompanying notes are an integral part of this statement

City of West Linn, Oregon
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 All Governmental Fund Types
 For the Year Ended June 30, 1997

REVENUES	Governmental Fund Types										Totals (Memorandum City)				
	General			Special Revenue			Debt Service			Capital Projects			Year Ended June 30, 1997		
	Original and Supplemental Budgets	Actual	Variance Favorable (Unfavorable)	Original and Supplemental Budgets	Actual	Variance Favorable (Unfavorable)	Original and Supplemental Budgets	Actual	Variance Favorable (Unfavorable)	Original and Supplemental Budgets	Actual	Variance Favorable (Unfavorable)	1996	1997	
Intergovernmental Revenues	2,815,432	2,824,600	\$ 9,168	717,577	714,729	\$ (2,848)	3,640,322	3,640,992	\$ 670	3,640,322	3,640,992	\$ 670	3,640,322	3,640,992	
Franchise Fees	804,070	328,158	475,912	1,470,936	1,525,033	54,097	960,848	951,197	(9,651)	960,848	951,197	(9,651)	1,892,200	1,892,200	
License and Permits	717,122	1,003,445	286,323	45,878	46,751	873	77,132	77,132	0	77,132	77,132	0	1,435,967	1,435,967	
Charges for Services	316,534	378,984	62,450	372,000	376,193	4,193	145,000	145,000	0	145,000	145,000	0	508,566	508,566	
Strains Overhead Fees	145,000	204,313	59,313	1,223,094	1,269,029	46,935	1,445,000	1,445,000	0	1,445,000	1,445,000	0	548,482	548,482	
Recycling Revenues	48,800	97,958	49,158	17,200	205,414	188,214	72,450	72,450	0	72,450	72,450	0	18,422	18,422	
Contributions from Developers	228,382	187,077	(41,305)	220,857	205,414	(15,443)	307,931	307,931	0	307,931	307,931	0	345,086	345,086	
Interest Earnings	5,527,715	5,930,172	402,457	14,195	19,759	5,564	232	232	0	232	232	0	37,135	37,135	
Miscellaneous				4,533,387	4,943,685	410,298	112,448	108,966	(3,482)	359,044	34,613	(324,431)	243,032	207,188	(36,844)
Total Revenues							10,188,194	11,017,457	829,263				10,188,194	11,017,457	
EXPENDITURES															
Current															
General Government	3,144,508	2,907,019	237,489	184,839	77,703	107,136	3,782,744	2,981,496	801,248	3,782,744	2,981,496	801,248	3,190,216	3,190,216	
Cultural and Recreation	1,799,444	1,575,945	223,499	1,021,918	563,537	458,381	2,821,260	1,789,502	1,031,758	2,821,260	1,789,502	1,031,758	1,818,465	1,818,465	
Public Safety	2,719,796	2,564,070	155,726	1,750,860	950,355	800,505	4,470,656	3,514,466	956,190	4,470,656	3,514,466	956,190	3,351,733	3,351,733	
Highways and Streets				1,944,975	892,945	1,052,030	1,944,975	892,945	1,052,030	1,944,975	892,945	1,052,030	1,522,130	1,522,130	
Sanitation				568,867	508,333	60,534	568,867	508,333	60,534	568,867	508,333	60,534	571,787	571,787	
Debt Service															
Contingency	232,709		232,709												
Reserve for Construction				2,158,184		2,158,184									
Reserve for Equipment Replacement				143,949		143,949									
Reserve for Future Debt Service				200,000		200,000									
Total Expenditures	7,895,955	6,897,034	998,921	8,813,300	2,932,334	5,880,966	122,290	122,290	700,630	122,290	122,290	0	165,000	165,000	
Excess of Revenues Over (Under) Expenditures	(2,343,240)	(968,861)	1,374,379	(6,549,313)	2,250,651	4,298,662	345,205	219,598	(1,204,121)	122,145	(78,523)	1,111,317	8,908,240	9,801,561	
Other Financing Sources (Uses)	1,556,654	1,368,772	1,187,882	247,526	225,507	22,019	1,999,977	1,680,078	319,899	1,999,977	1,680,078	319,899	2,018,644	2,018,644	
Operating Transfers In	(208,792)	(302,133)	93,341	(1,344,735)	(1,224,348)	120,387	(1,899,569)	(1,563,407)	336,162	(1,899,569)	(1,563,407)	336,162	(708,872)	(708,872)	
Operating Transfers Out	1,249,858	1,066,637	1,183,221	(1,297,109)	(998,741)	298,368	345,205	219,598	(125,607)	122,145	(103,462)	225,607	424,000	424,000	
Total Other Financing Sources (Uses)	(1,093,382)	99,766	1,193,178	(576,422)	1,352,110	576,532	1,999,977	1,680,078	319,899	1,999,977	1,680,078	319,899	2,018,644	2,018,644	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(293,362)	1,192,159	1,485,521	6,159,720	5,148,929	0,209	1,111,317	811,951	811,951	1,111,317	811,951	0	108,946	579,010	
Fund Balances June 30, 1996															
Fund Balances June 30, 1997															

The accompanying notes are an integral part of this statement.

City of West Linn, Oregon
 Combined Statement of Revenues, Expenses and
 Changes in Retained Earnings
 All Proprietary Fund Types and Nonexpendable Trust Fund
 For the Year Ended June 30, 1997

	Proprietary Fund Types		Fiduciary Fund Type Non-Expendable Trust	Totals (Memorandum Only)	
	Enterprise	Internal Service		1997	1996
OPERATING REVENUES					
Charges for Services (Net of 1867,287 of Sewer Charges Remitted to Trn City Service District)	\$ 2,602,496	\$ 390,712		\$ 2,993,208	\$ 3,275,247
Connection Fees (Net of 1382,703 of Sewer Connection Fees Remitted to Trn City Service District)	48,061			48,061	42,198
Federal, State and Other Grants	29,397	560		30,357	8,372
Other Operating Revenues	2,978,954	391,272		3,370,226	3,368,963
Total Operating Revenues					
OPERATING EXPENSES					
Salaries and Wages	542,771	114,172		656,943	638,740
System Repairs and Maintenance	134,974			134,974	103,636
Operating Supplies, Repairs and Services	162,170	117,059	20,000	319,229	690,248
Gasoline and Diesel Fuel		56,000		56,000	48,379
South Fork Water Board Expenses	782,063			782,063	741,704
Utilities	64,100			64,100	42,984
Insurance	27,319	1,967		29,286	23,247
Payment in Lieu of Taxes	22,115			22,115	15,325
Administrative Charges from General Fund	393,577	56,911		450,488	559,245
Depreciation	470,458	4,774		475,232	472,372
Total Operating Expenses	2,850,237	310,983	20,000	3,181,220	3,445,640
Operating Income (Loss)	58,317	(40,369)	(9,449)	9,500	(75,672)
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	116,589	15,737		132,326	149,877
Interest Expense	(23,510)			(23,510)	(33,159)
Net Income from Joint Venture	864,398			864,398	508,042
Total Non-Operating Revenues (Expenses)	758,077	15,737		773,814	624,760
Income (Loss) Before Operating Transfers	816,394	58,126	(9,449)	865,071	548,071
OPERATING TRANSFERS OUT					
Net Income (Loss)	758,421	56,126	(9,449)	805,098	414,697
RETAINED EARNINGS/FUND BALANCE June 30 1996	571,250	270,339	188,906	1,030,505	565,008
RETAINED EARNINGS/FUND BALANCE June 30 1997	1,329,291	326,465	179,457	1,835,203	1,080,305

The accompanying notes are an integral part of this statement

City of West Linn, Oregon
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Nonexpendable Trust Fund
 For the Year Ended June 30, 1997

	Proprietary Fund Types		Fiduciary Fund Type Non-Expendable Trust	Totals (Memorandum Only)	
	Enterprise	Internal Service		1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from Customers	\$ 1,854,003	\$ 421,660		\$ 2,275,663	\$ 2,416,302
Receipts - Quasi-External	(1,408,732)	(193,923)		(1,602,655)	(1,372,344)
Payments to Suppliers	(541,162)	(113,315)		(654,477)	(633,278)
Payment in Lieu of Taxes	(22,115)			(22,115)	(45,325)
Other Operating Revenues	33,252	560		33,812	30,995
Payments to Trn City Service District	(1,122,820)	(56,911)		(1,179,731)	(1,058,887)
Payments - Quasi-External	(457,510)			(457,510)	(588,383)
Net Cash Provided by (Used by) Operating Activities	314,916	58,071	(20,000)	352,987	560,814
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating Transfers to Other Funds	(58,773)			(58,773)	(103,176)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(369,645)	(2,484)		(372,129)	(372,129)
Principal Paid on Bonds	(100,000)			(100,000)	(30,000)
Interest Paid on Bonds	(24,815)			(24,815)	(34,181)
Contributed Capital	116,211			116,211	
Net Cash Used by Capital and Related Financing Activities	(378,069)	(2,484)		(380,553)	(425,810)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additional Investment in South Fork Water Board	102,821	13,436		116,257	(100,366)
Interest Earnings					171,531
Net Cash Provided by Investing Activities	102,821	13,436		116,257	71,165
Net Increase (Decrease) in Pooled Cash and Investments	895	69,073	(10,966)	1,053,902	501,925
Equity in Pooled Cash and Investments June 30, 1996	2,335,693	308,683	188,491	2,832,867	2,328,942
Equity in Pooled Cash and Investments June 30, 1997	2,336,588	375,706	177,525	2,889,819	2,930,867
Compared as Follows:					
Equity in Pooled Cash and Investments Restricted	\$ 401,013	\$ 315,706	\$ 171,525	\$ 888,244	\$ 776,034
Unrestricted	1,935,575			1,935,575	2,554,933
Total Equity in Pooled Cash and Investments	\$ 2,336,588	\$ 315,706	\$ 171,525	\$ 2,889,819	\$ 3,330,967
Deferred Compensation Investment			1,445,486		
Total Equity in Pooled Cash and Investments in Trust & Annuity Funds			\$ 1,445,486		

Continued on page 7

The accompanying notes are an integral part of this statement

City of West Linn, Oregon
Notes to General Purpose Financial Statements

City of West Linn, Oregon
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund, Continued
For the Year Ended June 30, 1997

1. The Reporting Entity and Summary of Significant Accounting Policies:

The general purpose financial statements of the City of West Linn, Oregon (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

The Financial Reporting Entity

The City of West Linn, Oregon was incorporated in 1913 and operates under the provision of its own charter and applicable State law with a Manager-Council form of government. The Mayor, who serves a two-year term, chairs City Council meetings. The Mayor and Council vote on all ordinances and legislative powers of the City and determine matters of policy. The City Manager is appointed by the City Council. Other City department heads are appointed by the City Manager.

The City of West Linn provides a full range of municipal services to the community which includes police and fire protection, emergency medical services, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation (building inspection and regulation), community library service, municipal court and parks and recreation.

Generally accepted accounting principles require that these financial statements present the City of West Linn (the primary government) and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement No. 14, are separate organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City of West Linn has no component units.

Joint Venture -

The South Fork Water Board (SFWB) operates a water distribution system jointly with the City and the City of Oregon City. Revenues earned by SFWB are expended for the continued operation and maintenance of facilities within the municipal boundaries of these cities. Upon dissolution of the SFWB, the net assets will be shared 50 percent to each city. The SFWB is governed by a five member board composed of three appointees from Oregon City and two from West Linn. As more fully discussed in the notes, the City's net investment and its share of the operating results of the SFWB are reported in the City's Water Revenue Fund (an Enterprise Fund). Complete financial statements for the SFWB can be obtained from the City of Oregon City Finance Department, 320 Warner-Milne Road, Oregon City, Oregon 97045.

	Proprietary Fund Types		Fiduciary Fund Type Non-Expendable Trust	Totals (Memorandum Only)	
	Enterprise	Internal Service		1997	1996
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 56,917	\$ -40,389	\$ (9,449)	\$ 89,857	\$ (76,677)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation	470,858	4,774	(8,034)	475,632	472,372
Interest Received				(9,034)	(11,073)
Changes in Assets and Liabilities:					
Accounts Receivable	(55,764)		(1,517)	(57,281)	248,245
Due from Other Governments	4,155			4,155	(8,372)
Inventory	2,253	(12,682)		(10,429)	4,369
Accounts Payable	(206,095)	24,732		(181,363)	313,609
Other Accrued Liabilities	1,608	857		2,465	5,462
Contract Retainage Payable					870
Due to Other Governments	131,764			131,764	16,492
Deposits Payable	8,106			8,106	(1,128)
Contract Receivable	1,114			1,114	(1,375)
Total Adjustments	275,999	17,881	(10,551)	283,129	1,037,491
Net Cash Provided by (Used by) Operating Activities	\$ 334,918	\$ 58,070	\$ (20,000)	\$ 372,986	\$ 960,814
NONCASH CAPITAL ACTIVITY:					
Fixed Assets Contributed by Developers	\$ 266,906			\$ 266,906	\$ 398,939

Continued from page 6

The accompanying notes are an integral part of this statement

1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The financial statements of the General, Special Revenue, Debt Service and Capital Projects funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Enterprise, Internal Service and Nonexpendable Trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The financial statements of the General, Special Revenue, Debt Service, Capital Projects and Agency funds are maintained using the modified accrual basis of accounting under which revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Exceptions to the modified accrual basis of accounting for these funds are revenues for grants which are recorded as earned and interest on general long-term debt which is recorded as due.

Those revenues susceptible to accrual are property taxes and assessment liens receivable (which are collected within 60 days subsequent to year end) interest revenue, state, county and local shared revenue and federal and state grants.

The accrual basis of accounting is utilized by the Enterprise, Internal Service and Nonexpendable Trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Proprietary Funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of operations.

1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:

Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds, except the Deferred Compensation Fund. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". The investments of the Deferred Compensation Fund are held separately from those of other City funds.

For purposes of the statement of cash flows, the Proprietary and Nonexpendable Trust Funds consider cash to include cash and investments in the common pool since it has the general characteristics of demand deposit accounts in that the Proprietary and Nonexpendable Trust Funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Investments, included in cash and investments, are carried at cost, which approximate market value, except for investments in the Deferred Compensation Fund, which are stated at market value.

Receivables

Uncollected property taxes receivable which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. Uncollected taxes are deemed to be substantially collectible or recoverable through liens. Property taxes become a lien against the property and are levied as of July 1 each year and are payable in three installments on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. All property taxes are due from property owners within the City.

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. Under the provisions of the limitation, tax revenues are separated into those for the public school system and those for local government operations other than the public school system. The limitation specifies \$10.00 is the maximum allowable tax for each \$1,000 of property real market value imposed on by local governments other than the public school system. Although all nonschool local government taxes in the City currently do not exceed the \$10.00 per \$1,000 of assessed value, this limitation may effect the availability of future tax revenues for the City. As further discussed in Note 16, an additional constitutional limit on property taxes becomes effective for fiscal year 1997-98.

Assessments receivable are recognized at the time owners are assessed for property improvements. Assessments receivable expected to be collected within sixty days following year end are considered measurable and available and are recognized as revenues. All other assessments receivable are offset by deferred revenue and, accordingly, have not been recorded as revenue.

Receivables for the Proprietary Fund Types are recorded as revenue as earned, including services earned but not billed. The Proprietary Fund Type receivables relate to billing for residential and commercial customers utilizing the City's water and sewer services.

Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue in all fund types as earned.

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

I. The Reporting Entity and Summary of Significant Accounting Policies, Continued:

Restricted Assets

Assets whose uses are restricted for construction or other purposes are segregated on the combined balance sheet.

Investment in South Fork Water Board

Investment in South Fork Water Board is accounted for using the equity method.

Long-term Debt

Long-term debt directly related and expected to be paid from the Enterprise Funds is included in such funds. All other unmatured long-term debt is recorded in the General Long-term Debt Account Group. Repayment of General Long-term Debt Account Group liabilities will be made from the Governmental Fund Types.

Compensated Absences

Earned but unpaid vacation pay is recorded as an expense or expenditure in the Proprietary Fund Types and Governmental Fund Types when earned. The entire amount of \$376,686 accrued in the Governmental Fund Types and included in other accrued liabilities is recognized as expenditures in the funds because the City has provided currently available financial resources for these expenditures. Earned but unpaid sick pay does not vest and is recorded as an expense or expenditure when paid.

Contributed Capital

Contributed capital in the Proprietary Fund Types represents the accumulation of contributions in the form of cash or other assets which generally do not have to be returned to the contributor. Such contributions are recorded directly to contributed capital and, accordingly, are not recognized as revenue. The following transactions are recorded as contributions in the Proprietary Fund Types:

- Fixed assets contributed by developers.
- Fixed assets contributed from other funds.
- Contributions from customers for the acquisition of fixed assets (mainly connection fees).
- Residual equity transfers from other funds.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

**1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:
Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Description of Funds and Account Groups:

The City uses funds and account groups to report on its financial position, results of its operations and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not reported in the funds.

Governmental Fund Types

General Fund

The General Fund accounts for the financial operations of the City not accounted for in any other fund. The principal sources of revenue are property taxes, shared state revenues, franchise fees and licenses and permits. Primary expenditures are for general government, public safety and cultural and recreation.

Special Revenue Funds

These funds account for revenue derived from specific tax or other earmarked revenue sources, including federal and state grant awards, which are legally restricted to finance particular functions or activities. Funds included in this category are:

- Street Fund
- State Revenue Sharing Fund
- Library Levy Fund
- 911 Emergency Communications Fund
- Cable TV Public Access Fund
- Street Improvement Fund
- Solid Waste Recycling Program Fund
- Street Serial Levy Fund
- Police Serial Levy Fund
- Fire Serial Levy Fund
- Arts Commission Fund
- Public Education Government Fund
- System Development Fund
- Storm Drain Fund

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:

Reservations of Fund Balance

Reserves for endowments and system development represent portions of fund balances legally segregated for specific future use.

Budget

A budget is prepared and legally adopted for each governmental fund type in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The budgetary basis of accounting for all budgeted funds is the same as generally accepted accounting principles basis for the governmental fund types except for certain interfund transactions which are described in Note 3. A budget is also prepared and legally adopted for all other fund types in accordance with the provisions of the Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The resolution establishes a departmental level of control for the General Fund. For all other fund types the levels of control are personal services, materials and services, capital outlay, contingency and transfers.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget requires hearings before the public, publication in newspaper and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the level of control. Such transfers require approval by the City Council. The City adopted one supplemental budget and made one appropriation transfer during the year ended June 30, 1997. Appropriations lapse as of year end.

The City's expenditures were within authorized appropriations for the year ended June 30, 1997.

The budget for the Governmental Fund Types includes capital outlay expenditures in each program for capital outlays applicable to that program.

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and results of operations. However, comparative data have not been presented for all statements because their inclusion would make certain statements unduly complex and difficult to understand. Additionally, certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Totals (Memorandum Only) Columns

The Totals (Memorandum Only) columns on the general purpose financial statements represent an aggregate of the columnar statements by fund type and account group. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

City of West Linn, Oregon
Notes to General Purpose Financial Statements

2. Description of Funds and Account Groups, Continued:

Debt Service Fund

The Debt Service Fund accounts for payment of general obligation bond principal and interest, except for the November 15, 1983 Water Bonds which are payable from revenues of the Enterprise Funds. Its principal revenue source is property taxes.

Capital Projects Fund

The Capital Development Fund accounts for resources used for the acquisition or construction of capital facilities and equipment.

Proprietary Fund Types

Enterprise Funds

These funds account for the financial operation of self-supporting activities which render services on a user charge basis to the general public. Included are the following:

- Water Fund (includes the combined activity of three funds)
- Sewer Fund

Internal Service Funds

The Vehicle/Equipment Maintenance Fund accounts for the maintenance of the City's vehicles and equipment. Charges are made to other City funds to recover the costs of providing services.

The Insurance Fund accounts for all costs incurred by the City under its insurance programs, primarily unemployment insurance claims up to policy deductible limits. Funding sources are revenues from investment income, proceeds from insurance claims and charges to other funds.

Fiduciary Fund Types

Nonexpendable Trust Fund

This fund accounts for an endowment held by the City under terms of a bequest. The principal of the Trust Fund may not be expended.

Deferred Compensation (Agency) Fund

This fund accounts for funds received and disbursed under the City's deferred compensation plans.

City of West Linn, Oregon
Notes to General Purpose Financial Statements

2. Description of Funds and Account Groups, Continued:

Account Groups

General Fixed Assets Account Group

This account group accounts for the City's investment in fixed assets with the exception of those assets held by the Proprietary Fund Types.

General Long-term Debt Account Group

This account group accounts for the City's general long-term bonded debt other than debt recorded in the Proprietary Fund Types.

3. Reconciliation of Generally Accepted Accounting Principles Basis to Budgetary Basis:

The budget of the City is prepared differently from generally accepted accounting principles. Therefore, the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis and is adjusted to the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types presented on a generally accepted accounting principles basis.

The following is a reconciliation of the difference between the budgetary basis and generally accepted accounting principles basis of expenditures and other financing sources and uses:

	General Fund	Special Revenue Funds
Expenditures - budgetary basis	\$ 6,897,034	\$ 2,692,834
Reimbursement of expenditures budgeted as operating transfers in	(1,072,607)	(15,548)
Expenditures budgeted as operating transfers out	<u>267,061</u>	<u>753,198</u>
Expenditures - generally accepted accounting principles basis	<u>\$ 6,091,488</u>	<u>\$ 3,430,484</u>
Other financing sources (uses) - budgetary basis	\$ 1,066,657	\$ (998,741)
Reimbursement of expenditures budgeted as operating transfers in	<u>267,061</u>	<u>753,198</u>
Other financing sources (uses) - generally accepted accounting principles basis	<u>(1,072,607)</u>	<u>(15,548)</u>
	<u>\$ 261,111</u>	<u>\$ (261,091)</u>

City of West Linn, Oregon
Notes to General Purpose Financial Statements

4. Equity in Pooled Cash and Investments:

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is presented on the combined balance sheet as "Equity in Pooled Cash and Investments".

Cash and Investments, carried at cost except for certain agency investments, are comprised of the following at June 30, 1997:

Cash on hand	\$ 1,850
Deposits With Financial Institutions:	
Demand deposit	256,542
Time certificates of deposit	211,238
Investments	<u>14,091,757</u>
Total	<u>\$ 14,561,387</u>

Cash and investments are reflected on the Combined Balance Sheet as Follows:

Equity in Pooled Cash and Investments	\$ 14,160,374
Restricted Equity in Pooled Cash and Investments	<u>401,013</u>
Total	<u>\$ 14,561,387</u>

Deposits

Deposits with financial institutions include bank demand deposits and time deposits. The total bank balance per the bank statements is \$398,791. Of these deposits, \$200,000 was covered by federal depository insurance, \$148,791 was collateralized with securities held by independent pool managers acting as agents for the City in the City's name, and the balance, \$50,000 was uncollateralized and uninsured. However, the balance was fully collateralized in accordance with state law. Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager.

Investments

The City's investments are categorized as follows:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its agent but not in the City's name.

City of West Linn, Oregon
Notes to General Purpose Financial Statements

4. Equity in Pooled Cash and Investments, Continued:

Investments, Continued:

At June 30, 1997 the carrying amount and market value of the investments were:

	Categories			Carrying Amount	Market Value
	1	2	3		
U. S. Government Securities	\$ 3,437,393			\$3,437,393	\$3,478,116
Bankers Acceptances	1,081,464			1,081,464	1,093,965
Commercial Paper	793,314			793,314	804,698
Corporate Bonds	1,938,446			1,938,446	1,951,692
U. S. Government Agency Securities	<u>2,220,808</u>			<u>2,220,808</u>	<u>2,234,228</u>
	<u>\$ 9,471,425</u>			<u>\$ 9,471,425</u>	<u>9,562,699</u>

Investments not subject to categorization:

Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate	<u>3,174,846</u>	3,174,846
Sub-total (Investments excluding Trust and Agency Funds)	12,646,271	12,737,545
Deferred Compensation Investment	<u>1,415,486</u>	<u>1,445,486</u>
Total Investments	<u>\$14,091,757</u>	<u>\$14,183,031</u>

5. Assessment Liens Receivable:

Assessment liens receivable represent the uncollected amounts levied against benefited property for the cost of local improvements. Because the assessments are liens against the benefited property, an allowance for uncollectible amounts is not deemed necessary. The remaining assessment is payable within the next year and bears interest at 6.5%.

City of West Linn, Oregon
Notes to General Purpose Financial Statements

6. Contracts Receivable:

Contracts receivable represents amounts due from certain property owners for payments arising from sewer connection services provided to these property owners. The contract is collateralized by a lien against the benefited property and, therefore, an allowance for uncollectible amounts is not deemed necessary.

7. Fixed Assets:

The changes in fixed assets for the fiscal year ended June 30, 1997 are as follows:

	Internal Service Funds		
	Balance June 30, 1996	Additions	Transfers
Buildings	\$ 26,328		
Equipment	80,806	\$ 2,484	
Vehicles	26,003		
Totals	133,137	2,484	
Less Accumulated Depreciation	(99,022)	(4,774)	
Totals	\$ 34,115	\$ (2,290)	\$ -

Enterprise Funds

	Enterprise Funds		
	Balance June 30, 1996	Additions	Transfers
Land and Land Improvements	\$ 395,086	\$ 94,102	
Buildings and Improvements	1,893,164		
Water and Sewer System	17,497,505	214,191	\$ 71,920
Equipment	920,151	53,463	
Vehicles	222,452	14,261	
Construction in Progress	1,041,114	260,534	(71,920)
Totals	21,969,472	636,551	0
Less Accumulated Depreciation	(5,660,702)	(470,858)	
Totals	\$16,308,770	\$ 165,693	\$ 0

City of West Linn, Oregon
Notes to General Purpose Financial Statements

7. Fixed Assets, Continued:

	General Fixed Assets Account Group		
	Balance June 30, 1996	Additions	Transfers
Land and Land Improvements	\$ 2,101,362	\$ -	
Buildings and Improvements	2,011,154		
Equipment	1,969,464	145,074	
Vehicles	1,590,304	128,514	
Leasehold Improvements	36,443		
Construction in Progress	331,512	222,398	
Totals	\$ 8,040,239	\$ 495,986	\$ -

8. Deferred Compensation Plans:

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans, available to all City employees, permit employees to defer a portion of their salary until future years. Contributions to the plan are made to defer a portion of their salary until future years. Contributions to the plan are made to fiduciaries who hold the funds in trust for the plan participants. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Three of the four deferred compensation plans with investments totaling \$1,425,614 were converted to a trust status in fiscal year 1997 in accordance with 1996 revisions to IRC Section 457. The assets in these plans are no longer available to satisfy the claims of the City's general creditors, but are held by the City as trustee for the exclusive benefit of the plans' participants and their beneficiaries, and shall not be diverted to any other purpose.

The remaining deferred compensation plan with investments of \$20,112 at June 30, 1997 and all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City, subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant. The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy claims of general creditors in the future.

The amount deferred under all plans, including earnings thereon, totaled \$1,445,486 as of June 30, 1997 and is included in equity in pooled cash and investments and offset by a corresponding liability in an Agency Fund.

City of West Linn, Oregon
Notes to General Purpose Financial Statements

9. Bonds Payable, Continued:

Advance Refunding

In a prior fiscal year, the City defeased certain general obligation bonds issued in 1975 and 1987 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust accounts of assets and liabilities for the defeased bonds are not included in the City's financial statements. The balance of the defeased bond principal outstanding as of June 30, 1997 was \$925,000.

10. Pension Plan:

The City is a member of the State of Oregon Public Employees Retirement System (PERS) an agent multiple-employer defined benefit public employee retirement system. All employees of the City are covered by the plan after six months of employment. The Public Employees Retirement Plan is a defined benefit pension plan to which employees and employer both contribute. Benefits are established by State statutes and consist of a retirement benefit paid for life upon a qualifying retirement, which is generally age 58. Benefits fully vest on reaching 5 years of service. The plan requires, and it is the policy of the City, to fund all current and prior service pension costs. The total pension contribution for fiscal year 1997 was \$603,900. This was comprised of \$522,029 in employer contributions and \$281,871 of employee contributions. The 6 percent employee contribution of \$281,871 consists of \$280,866 paid by the City in accordance with collective bargaining agreements and \$1,005 paid by employees.

The City's payroll for employees covered by PERS for 1996-97 was \$4,681,071. The City's total payroll was \$5,042,993.

The rate of employee contribution to the plan is established by law and is currently six percent of employee compensation.

The rate of employer contribution to the plan is set periodically by the Public Employees Retirement Board, based upon actuarial evaluations. Under the plan, a contribution rate is determined for each employer. The City's employer contribution rate for fiscal year 1997 was 6.49 percent of employee compensation. The rate will change to 7.88 percent effective July 1, 1997.

The PERS Board has statutory authority to revise employer contributions as necessary to ensure the promised benefits will be funded on a sound basis. Recent action taken by the Oregon Supreme Court with regard to House Bill 3349 (1995), the legislative remedy to certain income tax issues, may necessitate an increase in employer contributions. This potential increase in employer contributions has not been included in the above rates.

GASB Statement No. 27 disclosures are based on the actuarial assumptions and methods contained in the December 31, 1995 Actuarial Valuation of the PERS plan. The Actuarial Value of Assets is equal to Market Value. Liabilities and contributions are calculated using the Entry Age Actuarial Cost Method. The Unfunded Actuarial Liability is amortized as a level percentage of covered payroll over an open thirty year period.

City of West Linn, Oregon
Notes to General Purpose Financial Statements

9. Bonds Payable:

General Obligation Bonds

General obligation bonds consist of the unamortized balance of three issues with interest rates ranging from 2.60% to 9.0% (original issue \$2,965,000). Maturities of bond principal and interest are as follows:

Fiscal Year	Principal		Interest
	Outstanding June 30, 1996	Matured and Paid June 30, 1997	
1997	\$ 165,000	\$ 165,000	\$ 46,520
1998	170,000	170,000	37,920
1999	180,000	180,000	30,360
2000	185,000	185,000	22,200
2001	195,000	195,000	17,440
2002-2003	295,000	295,000	154,460
	<u>\$ 1,190,000</u>	<u>\$ 1,025,000</u>	<u>\$ 154,460</u>

Principal and interest on general obligation bonds are payable solely from general tax revenues

Water Fund Bonds

Water Fund bonds consist of the unamortized balance of one bond issue with interest rates ranging from 6.00% to 9.20% (original issue \$1,025,000). Maturities of bond principal and interest are as follows:

Fiscal Year	Principal		Interest
	Outstanding June 30, 1996	Matured and Paid June 30, 1997	
1997	\$ 100,000	\$ 100,000	\$ 15,357
1998	105,000	105,000	5,290
1999	115,000	115,000	20,647
	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ 20,647</u>

Principal and interest on Water Fund bonds are payable first from water system revenues and second, if necessary, from general tax revenues.

Certain General Obligation Bonds and the Water Fund Bonds are callable at various prices at specified times prior to maturity.

City of West Linn, Oregon
Notes to General Purpose Financial Statements

10. Pension Plan, Continued:

The significant actuarial assumptions used in the December 31, 1995 and 1993 valuations include (1) a rate of return on present and future investments of 8% per year, (2) projected salary increases of 5% per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and service, (3) projected automatic cost of living benefit increases of 2% per year, and (4) demographic assumptions that have been chosen to best estimate emerging experience of the system members.

Contribution information for the years ended June 30, 1997, 1996 and 1995 were as follows:

Year Ended June 30	Employer Contributions		Employee Contributions		Total Contributions
	Annual Pension Cost (APC)	Percentage of APC Contributed	Paid by Employer	Paid by Employees	
1997	\$322,029	100%	\$280,866	\$1,005	\$603,900
1996	309,679	100%	263,299	8,354	581,322
1995	286,857	100%	248,627	3,014	538,498

Funding Status:

The information presented below is the latest available as the PERS only performs actuarial valuations on a biennial basis. Prior actuarial valuation information under the new standards is not available as PERS only converted the following information to the new standards.

Dec. 31 Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Percent	Covered Payroll	Actuarial Assets in Excess of Liability / Payroll	
					Actuarial Assets in Excess of Liability	Percent
1995	\$10,263,057	\$8,800,885	117%	\$4,498,338	\$1,462,172	33%
1993	\$7,896,101	\$6,254,228	126%	\$3,069,000	\$1,641,873	53%

Trend information showing the system's progress in accumulating sufficient assets to pay benefits when due may be found in the June 30, 1997 stand-alone audit report of the Oregon Public Employees Retirement System when issued. That report may be obtained by writing PERS, P. O. Box 23700, Tigard, OR 97281-3700.

City of West Linn, Oregon
Notes to General Purpose Financial Statements

11. Contributed Capital:

Changes in contributed capital are as follows:

	Enterprise Funds		Internal Service Funds		Total
	Water Fund	Sewer Fund	Vehicle Fund	Maintenance Fund	
Balance, June 30, 1996	\$ 10,194,451	\$ 9,191,938	\$ 61,134	\$ 61,134	\$19,447,523
Contributed by Other Funds	176,874				176,874
Contributed by Developers	135,313	70,930			206,243
Balance, June 30, 1997	\$ 10,506,638	\$ 9,262,868	\$ 61,134	\$ 61,134	\$19,830,640

12. Segment Information:

The City maintains two enterprise funds which provide water and sewer services. Segment information as of and for the year ended June 30, 1997 is as follows:

	Water		Sewer		Total
	Fund	Fund	Fund	Fund	
Operating Revenues	\$ 1,616,547	\$ 1,063,107	\$ 1,063,107	\$ 2,126,214	\$2,679,654
Depreciation Expense	240,502	230,356	318,107	58,917	470,858
Operating Income (Loss)	(259,190)		(58,773)	758,221	(58,773)
Operating Transfers Out			330,593	7,558,995	7,889,588
Net Income		427,628			427,628
Fixed Asset Additions (Net)	8,915,468	2,212,113			11,127,581
Investment in South Fork Water Board	10,506,638				10,506,638
Contributed Capital	12,240,556	440,542			12,681,098
Total Assets					21,817,422
Total Working Capital					1,623,031
General Obligation Bonds Payable					2,063,573
First From Operating Revenues		220,000			220,000
Total Fund Equity		11,858,353		9,240,434	21,098,787

The Investment in South Fork Water Board (SFWB) is accounted for on the equity method. Significant financial information for the SFWB as of and for the year ended June 30, 1997 is as follows:

Operating Revenues	\$ 2,603,142
Operating Income	1,265,691
Net Income	1,327,293
Total Assets	11,567,125
Total Working Capital	703,267
Bonds Payable	6,840,000
Contributed Capital	980,489
Total SFWB Equity	4,424,226

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

15. Commitments and Contingencies:

The City has an agreement with the Tri-City Service District to treat sewage waste water. Pertinent terms of this agreement are as follows:

- The City will process and review all permit applications for hookup and inspection thereof; operate and maintain local collection facilities; bill and collect user charges, and bill and collect connection charges
- The City will collect and remit all connection and user charges to the District, except for a portion to reimburse administrative costs and maintain the City's sewer system.
- Should the District fail to perform services outlined in this agreement, the City can terminate the agreement upon 30 days written notice.

The City has outstanding engineering service purchase commitments of approximately \$74,000 at June 30, 1997.

At June 30, 1997, the City has outstanding claims for assistance pending with the Federal Emergency Management Agency (FEMA) of approximately \$32,000. These claims represent losses incurred by the City as a result of flooding damage that are in excess of insurance recoveries, less twenty-five percent. The claims are still in the process of being evaluated and, accordingly, the City has not recognized them as a receivable or revenue at June 30, 1997. The amount that the City will ultimately receive from FEMA is not presently determinable.

The City entered into a Cooperative Improvement Agreement with the State of Oregon Department of Transportation (ODOT) in fiscal year 1997 for a street improvement project with total estimated costs of approximately \$1,575,000. ODOT will pay up to \$746,000 of the total project costs; the balance to complete the project is solely the responsibility of the City. Actual construction on the project is not expected to commence until late in fiscal year 1998.

The City received a notice in July, 1997 that claims that negligence on the part of the City may have caused approximately \$800,000 of damage as the result of a fire within City limits that occurred on May 28, 1997. The City referred the matter to their insurance carrier whom denied the claim after determining that the City bears no responsibility for the damage. The City does not anticipate that it will have any liability for this matter, but the ultimate resolution of this matter is not presently determinable.

16. Property Tax Limitations:

The voters of the State of Oregon approved ballot measure 5, a constitutional limit on property taxes for schools and nonschool government operations, in November, 1990. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

13. Operating Transfers:

Operating transfers in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types for the year ended June 30, 1997 do not equal because of transfers made with the Enterprise Funds. Following is a reconciliation of operating transfers for the year ended June 30, 1997.

	Transfers In	Transfers Out
Total operating transfers included in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	\$ 601,921	\$ 543,148
Transfers from Enterprise Funds	<u>\$ 601,921</u>	<u>38,773</u>
	<u>\$ 601,921</u>	<u>\$ 601,921</u>

14. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for unemployment compensation, the City purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverages from fiscal year 1996 to 1997. Workers compensation claims are insured through incurred loss retrospective policies. Except as discussed in the following paragraph, settled claims have not exceeded this commercial coverage for any of the past three years.

During 1996, as a result of property damage from extensive flooding, the City incurred approximately \$180,000 in losses beyond commercial insurance coverage. Approximately \$95,000 of these losses were recognized as expenditures in fiscal year 1996; the balance was recognized in fiscal year 1997. Of this \$180,000, \$54,016 was reimbursed by the Federal Emergency Management Agency (FEMA) in August, 1996, and recorded as a receivable and revenue of the General Fund as of and for the year ended June 30, 1996. An additional \$17,193 was received and recorded as a revenue in the General Fund in fiscal year 1997. As discussed in Note 15, additional claims for assistance of approximately \$32,000 are still pending with FEMA.

The City is self-insured for unemployment compensation claims. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Insurance Fund has recorded the following changes in the balance of claims liabilities for the years ended June 30, 1997 and 1996 as follows:

	1997	1996
Unpaid claims, beginning of year	\$ 989	\$ 3,816
Incurred claims	5,701	3,943
Claim Payments	<u>(5,542)</u>	<u>(6,770)</u>
Unpaid claims, end of year	<u>\$ 1,148</u>	<u>\$ 989</u>

City of West Linn, Oregon
Notes to General Purpose Financial Statements

16. Property Tax Limitations, Continued:

The voters of the State of Oregon passed ballot measure 50 in May, 1997 to further reduce property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit. Measure 50 amended Measure 47 passed by the voters in November, 1996. Oregon Senate Bill 1215 was passed on July 4, 1997 to provide statutory direction and clarification for the implementation of Measure 50.

Measure 50 will reduce the amount of operating property tax revenues available to the City for its 1997-98 fiscal year, and thereafter. This reduction will be accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. The Measure requires a 17% overall statewide reduction in operating tax levies in 1997-98. The actual reduction per taxing district will vary according to certain exemptions and special provisions of the Measure and its implementing legislation. Taxes levied to support bonded debt are exempted from the reductions. The Measure also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues. The Measure does not have any effect on the City's June 30, 1997 financial statements. The City is, however, impacted for the fiscal year 1997-98 by a reduction of \$369,568 of 11.7% in property taxes levied.

17. Deficit Retained Earnings:

The Sewer Fund, an enterprise fund, has a deficit retained earnings balance of \$22,434 at June 30, 1997. However, its fund balance on a budgetary basis at June 30, 1997 is a positive \$1,614,924.

APPENDIX C

Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

\$4,400,000
City of West Linn
Clackamas County, Oregon
General Obligation Bonds
Series 1998

This Continuing Disclosure Certificate (the "Certificate"), dated as of December 30, 1998 is executed and delivered by the City of West Linn, Clackamas County, Oregon (the "Issuer") in connection with the issuance of the Issuer's General Obligation Bonds, Series 1998 (the "Bonds").

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Bonds and to assist the underwriter(s) of the Bonds in complying with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the "Rule"). This Certificate constitutes the Issuer's written undertaking for the benefit of the owners of the Bonds as required by Section (d)(2) of the Rule. The Issuer is an obligated person with respect to less than \$10,000,000 of municipal securities, including the Bonds.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds, including persons holding Bonds through nominees or depositories.

"Commission" means the Securities and Exchange Commission.

"Financial Information" means financial information and operating data which is customarily prepared by the Issuer and is publicly available. The term "Financial Information" shall include the Issuer's latest publicly available annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors).

"MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.

"NRMSIR" means a nationally recognized municipal securities information repository.

"Rule" means the Commission's Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

"SID" means a state information depository for the State of Oregon (if one is created).

Section 3. Financial Information The Issuer agrees to provide or cause to be provided the Financial Information to each person upon request or annually to the SID, if any. The Issuer's Finance Director shall be responsible for responding to requests for annual financial statements. Requests for annual financial statements may be either (a) written requests addressed to the City of West Linn at 22825 Willamette Drive, West Linn, Oregon 97068 or (b) telephonic requests to the City of West Linn at 503-657-0331.

Section 4. Material Events. The Issuer agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB, and to the appropriate SID, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to the rights of Bond owners;
8. Optional redemption of Bonds prior to their maturity;
9. Defeasance;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

Section 5. Termination/Modification The Issuer's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This Certificate, or any provision hereof, shall be null and void if the Issuer (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this Certificate.

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

1. If the amendment or waiver relates to the provisions of Sections 3 or 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer with respect to the Bonds, or the type of business conducted;
2. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the

Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

3. The amendment or waiver either (i) is approved by the owners of the Bonds or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 4, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 6. Bond Owner's Remedies Under This Certificate The right of any Bond Owner or Beneficial Owner of Bonds to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder, and any failure by the Issuer to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds hereunder.

Section 7. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

City of West Linn
Clackamas County, Oregon

William Gin, Finance Director

APPENDIX D

Specimen Municipal Bond Insurance Policy

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MBIA

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation

Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest

Assistant Secretary

SPECIMEN

